

Special Report

THE STATUS OF FREEDOM

A YEAR-END ASSESSMENT

1987

ASSOCIATION OF THE UNITED STATES ARMY



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THE STATUS OF FREEDOM A YEAR-END ASSESSMENT — 1987

CHRONOLOGY OF SIGNIFICANT

EVENTSPage 2

INTRODUCTION.....Page 3

NATO AND THE WARSAW PACT

A 1987 BalancePage 4

CANADA AND WESTERN EUROPE

Canada.....Page 5

Great Britain.....Page 7

Norway.....Page 8

France.....Page 8

Federal Republic of Germany.....Page 9

Italy.....Page 10

Spain.....Page 10

Portugal.....Page 11

Greece.....Page 11

Turkey.....Page 12

THE SOVIET UNION

AND EASTERN EUROPE

USSR.....Page 13

Poland.....Page 15

The German Democratic Republic.....Page 16

Czechoslovakia.....Page 16

Hungary.....Page 17

Romania.....Page 17

Bulgaria.....Page 18

Yugoslavia.....Page 19

AFRICA

Morocco.....Page 19

Algeria.....Page 21

Tunisia.....Page 21

Libya.....Page 22

Egypt.....Page 22

Sudan.....Page 23

Ethiopia.....Page 24

Mozambique.....Page 24

Chad.....Page 25

Zaire.....Page 25

Angola.....Page 26

South Africa.....Page 26

Zimbabwe.....Page 27

THE MIDDLE EAST

Lebanon.....Page 28

Syria.....Page 28

Israel.....Page 30

Jordan.....Page 30

Iran.....Page 31

Iraq.....Page 31

Saudi Arabia.....Page 32

ASIA AND THE PACIFIC

Japan.....Page 33

North Korea.....Page 33

Republic of Korea.....Page 34

China.....Page 35

Taiwan.....Page 36

Philippines.....Page 37

Vietnam.....Page 37

Thailand.....Page 38

Cambodia.....Page 39

India.....Page 39

Pakistan.....Page 40

Afghanistan.....Page 40

Australia.....Page 41

New Zealand.....Page 42

CENTRAL AMERICA AND THE

CARIBBEAN

Mexico.....Page 42

Guatemala.....Page 43

Honduras.....Page 44

El Salvador.....Page 44

Nicaragua.....Page 45

Costa Rica.....Page 46

Panama.....Page 46

Cuba.....Page 47

Haiti.....Page 48

SOUTH AMERICA

Colombia.....Page 48

Venezuela.....Page 50

Suriname.....Page 50

Brazil.....Page 51

Ecuador.....Page 51

Peru.....Page 52

Bolivia.....Page 53

Argentina.....Page 53

Chile.....Page 54

CONCLUSION.....Page 55

A CHRONOLOGY OF THE YEAR'S MOST SIGNIFICANT EVENTS

- | | | | |
|-------------|---|--------------|---|
| January 1 | — Chad war heats up; French planes strike Libyan positions. | July 7 | — Sikh bus attacks leave 72 Indian Hindus dead. |
| January 9 | — Iran mounts major offensive against Iraq. | July 14 | — Taiwan ends martial law after 38 years. |
| January 16 | — China's General Secretary Hu Yaobang ousted. | July 22 | — US begins escorting reflagged Kuwaiti ships in Persian Gulf. |
| January 16 | — Ecuadorean President taken hostage. | July 31 | — 402 die in Mecca as Iranians riot. |
| January 24 | — Three more Americans seized in Lebanon. | August 7 | — Five Central American Presidents sign Arias peace agreement. |
| January 27 | — Philippine coup attempt ends in failure. | August 22 | — Sudanese government falls. |
| February 20 | — Brazil suspends interest payments; freezes short-term credits. | August 28 | — Philippines; revolt by mutinous troops put down. |
| February 21 | — Costa Rican President Arias proposes Central American peace plan. | September 21 | — US attacks, seizes Iranian mine ship in Persian Gulf. |
| March 5 | — Ecuador devastated by earthquakes; 300 dead, 4,000 missing. | October 15 | — Burkina Faso leader slain in coup. |
| March 25 | — Libyan forces retreat from Chad. | October 19 | — World stock prices collapse. |
| April 2 | — US Marines accused in Moscow spy ring. | October 20 | — Noboru Takeshita named Japan's new premier. |
| April 10 | — Bolivian cabinet resigns. | November 7 | — Tunisia's Bourguiba ousted in bloodless coup. |
| April 15 | — Argentine military officers rebel. | November 29 | — Haitian elections canceled in wave of terror. |
| April 17 | — Sri Lanka; Tamil rebels slaughter hundreds. | December 9 | — US/USSR sign historic INF treaty. |
| April 28 | — Italian government falls. | December 16 | — Roh Tae Woo wins South Korean election. |
| May 14 | — Military coup in Fiji unseats civilian leader. | December 17 | — Violence erupts in Gaza Strip and West Bank. |
| June 1 | — Lebanese premier assassinated. | December 17 | — Czechoslovak leader Husak resigns party post; Jakes chosen successor. |
| June 10 | — South Africa extends year-old state of emergency. | December 20 | — Philippine ferry sinks in worst peacetime maritime disaster of century; 1,600 dead. |
| June 11 | — Panama; state of urgency imposed after 10 days of protests. | | |
| June 18 | — Rioters battle police in South Korean capital. | | |

THE STATUS OF FREEDOM

A Year-End Assessment

Introduction

It is time once again for us to pause and reflect on the major events of the past year and to try to assess their impact on the status of the world's well-being. In each of the 15 years that we have engaged in this exercise, the results have invariably been less than positive. This year is no exception.

The Intermediate-range Nuclear Forces treaty which the United States and the Soviet Union signed in December has raised hopes that better relationships between the two superpowers may be in the offing, but it is much too early to make that assumption.

Elsewhere on the globe, there is not much cause for rejoicing. While the degree of violence in the Mid-East may have mitigated modestly for the moment, there are no concrete signs of any movement toward lasting peace.

The Persian Gulf remains a sea of peril and the war between Iraq and Iran continues apace. Indeed, the dedication to pain, cruelty and suffering in that part of the world boggles the Western mind.

The Soviets continue their presence in Afghanistan although the increasing battlefield successes of the Mujahedeen are encouraging Moscow to find some face-saving way to disengage.

The Sikhs and Moslems are still at each others' throats in India and Sri Lanka. The Philippines are hav-

ing a tough time with the Moslems, the Communists and disaffected Army members.

In Africa, war and famine continue to decimate any hope for peace. The problems of Central America have so far defied solution, although President Arias of Costa Rica is making a valiant effort toward that end.

As the ensuing text will point out in more detail, peace in the world remains elusive despite the great efforts and prayers of many.

This year-end assessment is a major effort for our Association and a number of members of our staff contribute to it. The study is a project of our Landpower Education Fund under its director LTG Richard L. West, USA Ret. COL Thomas D. Byrne was the principal editor again this year. Two of our hard-working interns, Todd Sedmak and Patrick Donovan, were avid researchers and writers. MSGT George E. Ehling is the compiler of facts and maintains the daily files essential to this effort. GEN Frederick J. Kroesen, USA Ret., the former Commander-in-Chief of the U.S. Army Europe, was the principal author of the section on Europe. GEN Robert W. Sennewald, USA Ret., our former Commander-in-Chief in Korea, undertook the section on Asia. GEN Jack N. Merritt, USA Ret., the Association's Deputy Executive Vice President, reviewed the text for continuity. Valuations and differences of opinion were adjudicated by the undersigned, who also reviewed the paper in its entirety.



ROBERT F. COCKLIN
Major General, AUS Ret.
Executive Vice President

The NATO and Warsaw Pact Balance—1987

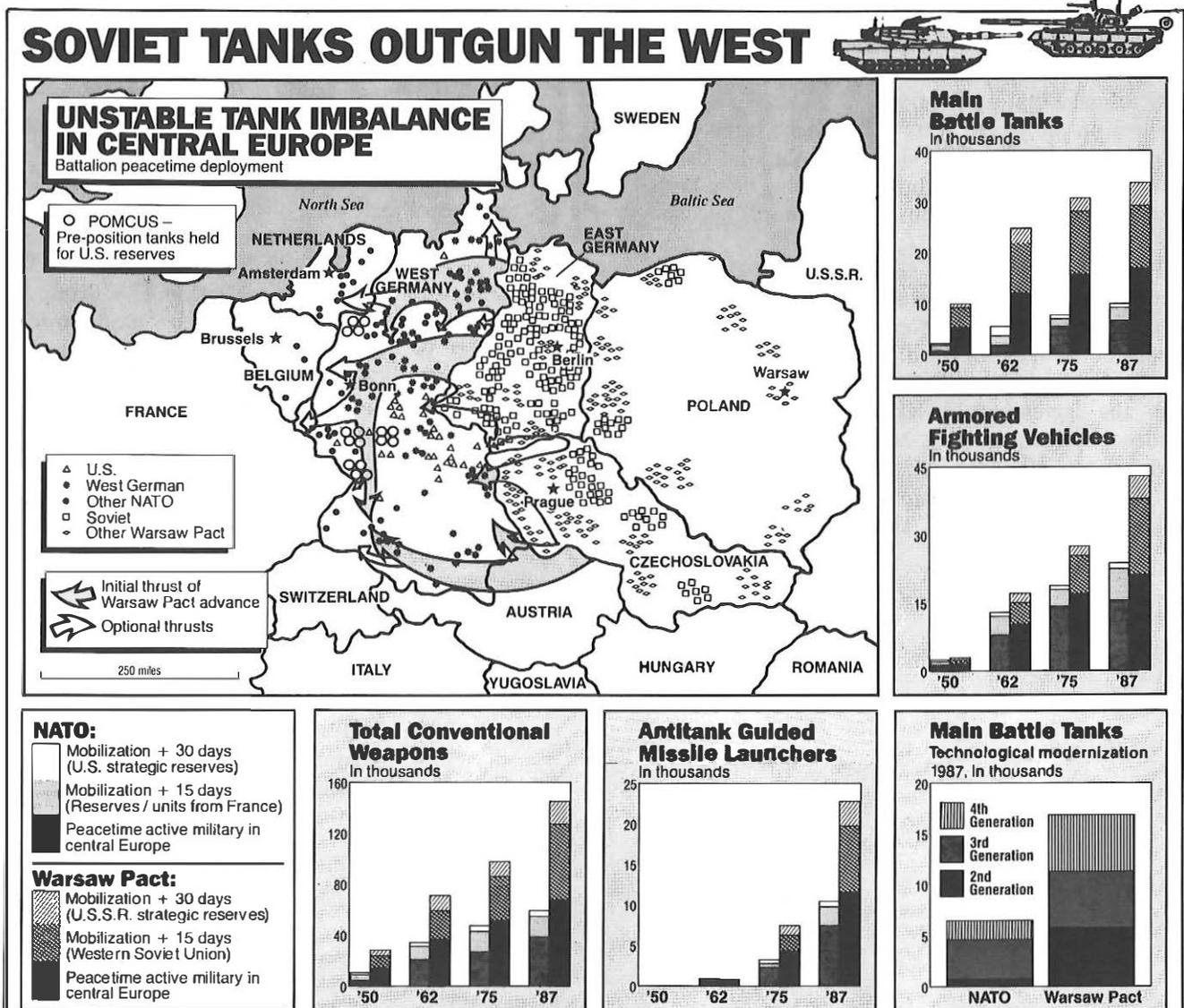
The overwhelmingly important event affecting the NATO-Warsaw Pact balance in 1987 was the Intermediate-range Nuclear Forces (INF) treaty signed at the December summit in Washington. The total effect of that historic event lies not only in the treaty itself, but also in the events leading to it and the implications for what may lie beyond.

Many member nations of the North Atlantic Treaty Organization started the year voicing their concerns about the possible elimination of United States Pershing II and Ground-launched Cruise Missiles in exchange for elimination of SS-20 missiles by the Soviet Union. The debate became more intense as shorter-range systems down to 500 kilometer range were included in the proposal. That debate extended through the year with some

	1977	1987
Aircraft (includes fighters, interceptors, and ground attack aircraft)	4,900	7,074
Main Battle Tanks	27,200	52,200
Artillery (includes antitank weapons and missile launchers)	14,000	37,000
Division equivalents	103	101 1/3
Troops deployed in Europe (excluding naval)	1,335,000	2,292,000

Source: The Military Balance 1977/1978 and 1987/1988, International Institute for Strategic Studies

Chart 1



Source: Center for Strategic and International Affairs study, by Phillip A. Karber, to Senate subcommittee, Nov. 3, 1987.

Map by Dolores Motichka. Charts by Paul Woodward / The Washington Times

western nations still harboring nagging concerns in the wake of the actual signing. Nonetheless, NATO as an entity, and all the allied nations individually, endorsed the agreement, although some expressed their cautions concerning the possible decoupling of U.S. defense from Western European security.

Spurred by the INF negotiations, and cognizant of the Soviet preponderance of conventional weaponry in Europe, NATO planners began to assess efforts to improve Alliance conventional defenses. Their review of the performance of individual nations in redressing conventional force shortcomings was not encouraging. For the most part, long-time critical deficiencies such as major shortages of conventional ammunition, still exist. Moreover, NATO's future military posture was complicated by (1) Canada's announced intention to reorient forces from Norway to the already relatively strong Central Region, (2) continuing inability to meet front-line air-defense requirements, and (3) by the difficulties in incorporating Spain into the Alliance, particularly with regard to Spanish insistence that the United States withdraw a tactical fighter wing from Spain. At this writing, budgetary pressures, born of concerns about the deficit, have introduced new discussions concerning possible reductions of United States commitments to the Alliance.

Meanwhile, the Soviet Union has continued to modernize its conventional forces and, to some lesser degree, those of its Warsaw Pact Allies. The overwhelming Warsaw Pact superiority in tanks and artillery and the numerical advantage in aircraft continues to be offset only by a qualitative advantage in NATO aircraft. The comparisons in Chart I reflect the extraordinary build-up of Warsaw Pact forces over the past decade. What is not reflected in the numbers is that the quality of the Warsaw Pact forces is commensurate with, and sometimes greater than NATO forces (see Chart 2).

There have been some brighter spots for NATO during the year. After years of dangerous delay, the United States is funding production of binary chemical munitions, lending credibility to the deterrent called for in the NATO strategy. This decision reflects the understanding of Congress and the support of the Alliance. Moreover, as was the case with INF deployments, the binary production decision has created a new interest in the Soviet Union concerning serious chemical weapons negotiations.

Trans-Atlantic strains resulting from lack of allied support for American counter-terrorism actions, particularly in Libya in 1986, and from lack of support of other U.S. "out of area" activity have diminished remarkably. Even the issue of "burden sharing" is becoming less divisive as measures of contributions of nations go beyond budgets to include host nation support, political sacrifice and better understanding of individual allies' internal considerations.

The Challenge:

Assessing the military balance is most important in

terms of how we see the challenge—the agenda for the future. The current Soviet conventional superiority is undeniable. Mikhail Gorbachev himself alluded to the imbalance during the Washington summit.

Regardless of how one views the INF treaty, it clearly has not improved this conventional imbalance. Moreover, there are those who, for understandable reasons, argue for immediate negotiations on the short-range nuclear forces. But such a step carries the risk of a denuclearized Europe, held ransom by the conventional force imbalance which so greatly favors the Warsaw Pact. The United States' position in favor of reducing strategic weapons and redressing the conventional imbalance, while holding the line on further nuclear reductions in Europe, is generally accepted in NATO.

The question is whether the Alliance can come together in firm resolve, both in negotiating positions and in making the conventional improvements that seem to be the prerequisite for serious Soviet negotiations.

In sum, the Atlantic Alliance will be faced with great pressures to pursue conventional arms negotiations even while it is disadvantaged by the existing imbalance. Additionally, there is little prospect of redressing the imbalance by improving Alliance defenses in Europe. Therefore, from a NATO viewpoint, conventional arms reduction negotiations should be pursued only to the extent that they require asymmetric Warsaw Pact reductions. Meanwhile, we are reminded that it is the central reserve of land forces in the United States and our ability to deploy quickly to Europe that makes credible the conventional deterrent.

CANADA AND WESTERN EUROPE

Canada

Population: 25,638,000.

Government: Confederation with parliamentary democracy.

Head of Government: Prime Minister Martin B. Mulroney

GDP: \$373.72 billion.

Per Capita Income: \$13,680.

Defense Expenditures: \$7.77 billion.

Armed Forces: Army—22,500 (15,500 reserves); Navy—10,000 (3,300 reserves); Air Force—23,050 (950 reserves); Paramilitary—6,560 Coast Guard, 620 Rangers.

Forces Abroad: 5,297.

Total Regular Armed Forces: 84,600.

Note: The Canadian armed forces were unified in 1968. Of the total strength, some 29,000 are not identified by service.

WESTERN EUROPE



Canada is our nearest neighbor, our largest trading partner and the country with whom we share the longest unguarded border in the world.

At the conclusion of World War II, Canada could boast of being the world's fourth largest military power—behind the United States, U.S.S.R., and Britain. As was the case for many of the world's powers, the post-war era saw many changes in Canada's defense posture. The late 1960's marked the greatest cutbacks in defense, as then Prime Minister Pierre Trudeau saw fit to freeze defense spending for three years while simultaneously scaling back Canada's commitment to NATO.

For most of the decade of the 80's, however, we have seen a steady reversal in Ottawa's commitment to national security. In this period there has been a gradual upgrading and modernization of the armed forces, including major restructuring of its forces and the procurement of new and better equipment. Spearheading this drive are the Progressive Conservative Party Prime Minister, Brian Mulroney, and Canada's Minister for National Defense, Perrin Beatty. The navy is the centerpiece of the buildup with the planned acquisition of 10 or 12 nuclear-powered attack submarines. The Canadian navy is also scheduled to take delivery of six new anti-submarine warfare patrol frigates between 1989 and 1992. Mulroney's government also entered into an agreement with the Reagan administration to modernize the North American Air Defense System, the aircraft and missile early warning shield along the Arctic Circle.

Mulroney's greatest triumph of 1987 came in December when Canada and the United States completed a free trade agreement which recognized Canada as America's largest trading partner. Something in excess of \$120 billion worth of goods passed between the two countries in the last year. Three-quarters of Canada's exports came to the U.S. while 21 percent of American exports were shipped north. Barring major amendments in the U.S. Senate and the Canadian Parliament, the pact will eliminate, over the next ten years, all tariff barriers while lowering a wide range of other trade restrictions. Some of the more significant areas covered by the accord are agriculture, alcoholic beverages, energy, automotive industry, financial services and investments. Economists, hailing the agreement as historic, predict it will strengthen both economies, create more jobs, encourage stiffer competition and eliminate U.S.-Canadian protectionism.

Great Britain

Population: 56,069,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Margaret Thatcher

GDP: \$556.14 billion.

Per Capita Income: \$8,460.

Defense Expenditures: \$30.50 billion.

Armed Forces: Army—158,700 (includes 8,100 Gurkas, 246,600 reserves); Navy—66,500 (32,780 reserves); Air Force—93,500 (33,800 reserves).

Forces Abroad: 90,800.

Total Regular Armed Forces: 318,700.

For the first five months of 1987, contentious issues dominated the British media as they attempted to foresee the outcome of the June national election. Defense issues were highly prominent in the campaign, but lingering economic problems received equal attention. In the end, Britain's growing prosperity—spotty and unequally enjoyed, but significant nonetheless—and the radical unilateral denuclearization plans touted by the Labor Party, were the decisive factors in returning Prime Minister Margaret Thatcher for a third term and giving her Conservative (Tory) Party a 101-seat majority in parliament.

British voters, though expressing some dissatisfaction by reducing slightly the conservative majority, were encouraged by Mrs. Thatcher's programs that have given them an improved economy, moderate inflation and declining unemployment. On January 3, 1988 Mrs. Thatcher became Britain's longest-serving leader of the 20th century.

In the months immediately following the election, Mrs. Thatcher embarked on a charted course aimed at reviving Britain's inner cities, thus quieting some of the more vocal urban Labor Party criticism, and pushing economic development in areas such as Scotland, where the Conservatives won only 10 of 72 Parliament seats because the Scots felt they were not sharing in the growing prosperity of the nation.

Once the election was decided, those defense issues, which had been the source of so much bombast during the campaign, subsided almost to non-contention. The voters had endorsed the continuation of strong defense policies, reliance on nuclear deterrents, strong commitment to NATO and cooperation with the United States. Trident missile submarine development continued on course and a new initiative exploring a joint role for British and French nuclear systems began to develop. In London and Paris, the consummation of the US-USSR INF treaty is seen as lending both credence and demand to such development at a time when the European pillar of NATO is compelled to assume greater responsibilities for Western security.

After an initial rejection of the U.S. request for help in the Persian Gulf minesweeping and escort operations, the British government quietly began to commit

resources to those tasks and to share, along with other NATO nations, some of the responsibility for security in the area.

The perennial problems of Northern Ireland and Gibraltar continued unresolved. Violence in Northern Ireland continued sporadically, even desultorily, until the major November eruption when a single bomb transformed Remembrance Day (Britain's Memorial Day) into a bloody reminder that the IRA continues its terrorist campaign.

The year ended with Mrs. Thatcher tough in her backing of the United States on arms control and arms reduction issues and continuing her program of de-socializing the economy and industry of the nation. There is ample hope in Britain that 1988 should be a stable year in which their conservative government continues to steadily build on the foundation it has been constructing.

Norway

Population: 4,178,000.

Government: Hereditary constitutional monarchy.

Head of Government: Prime Minister Gro Harlem Brundtland

GDP: \$69.78 billion.

Per Capita Income: \$14,370.

Defense Expenditures: \$2.76 billion.

Armed Forces: Army—19,000 (13,200 conscripts, 146,000 reserves); Navy—7,000 including 2,000 coastal artillery (4,500 conscripts, 26,000 reserves); Air Force—9,100 (5,300 conscripts, 27,900 reserves); Paramilitary—1,510 Home Guard (includes 84,700 reserves); Joint Services Staff—300.

Forces Abroad: 884.

Total Regular Armed Forces: 36,900 (23,000 conscripts).

The North Atlantic Treaty Organization (NATO) has common borders with the Soviet Union at only two places and the northeastern corner of Norway is one of them. At that border small detachments of Norwegians cordially exchange surveillance with large detachments of Russians. Relations are friendly, mainly because it was the Russians who evicted German forces from the region in World War II. Russian troops treated the native Norwegians well and Moscow promptly returned the land to Norway after the war. Today, a statue in Kiekenes honors the Russian soldiers who liberated the town.

From a US and NATO viewpoint, the news from Norway in 1987 centered on an extension of that kind of friendly relationship when it was disclosed that a major state-owned arms company, Kongsberg Vaapenfabrikk, was engaged in illegal sales of high-technology equipment to the Soviet Union. The discovery of this transfer of advanced technology to the Soviet Union, for which

the Norwegian government has expressed sincere regret and embarrassment, has created turmoil in some NATO countries. United States Congressmen and other high government officials have expressed demands for punishment, sanctions, and even reparations. These demands followed investigations of the incidents which turned up other culprits in Britain, France, West Germany, Italy, Sweden and Japan.

Another setback to Norwegian security came with the Canadian decision to withdraw from a commitment to reinforce Norway with a brigade of troops in the event of a defense crisis. A military exercise last fall which determined that such a reinforcement would require at least three weeks, convinced the Canadians that they could not get there in time to be of help to Norway. The Canadian government decided instead to redirect the brigade to reinforce its forces already stationed in Central Europe. Norwegian and NATO planners are busily seeking other alternatives, but Norway's prohibition against stationing foreign troops on their soil in peacetime works against achieving a fully satisfactory solution. Still there is little indication that Norway will become anything other than one of NATO's staunchest allies and the key defender of its northern flank.

France

Population: 55,669,000.

Government: Republic.

Head of Government: Prime Minister Jacques Chirac

GDP: \$511.441 billion.

Per Capita Income: \$9,760.

Defense Expenditures: \$22.342 billion.

Armed Forces: Army—279,000 (183,250 conscripts, 305,000 reserves); Navy—68,900 (17,140 conscripts, 28,000 reserves); Air Force—96,000 (34,300 conscripts, 58,000 reserves); Paramilitary—89,816 (8,800 conscripts).

Forces Abroad: 82,400.

Total Regular Armed Forces: 546,900 (245,560 conscripts).

The appearance of stability emanating from France in the 1980's must be recognized as merely a surface stability that rides on the underground turmoil and tumult of the French political scene. During the year of this report, the French government marched steadily along, making critical decisions regarding nuclear weapons, Franco-German military cooperation, Basque terrorism, Soviet spies, support for Chad and linkage with Iran. Simultaneously, its political parties and factions girded for 1988 elections with ever-increasing discord.

The end-of-year Reagan-Gorbachev INF agreement had little effect in France where the role of native grown nuclear missiles—the Pluton and the on-coming Hades—is stoutly defended and where there has been a

public offer to extend that role to a defense of West Germany's borders. The French still see the need for a tactical nuclear shield as an essential element of deterrence and defense.

In accord with the proffer of nuclear support for West Germany, the French have also pursued a Franco-German joint military agreement. Progress to date has seen the conduct of joint exercises, the establishment of a joint military council and the promise of an integrated brigade to be activated early in 1988.

A successful campaign against terrorists, which saw the capture of leaders of Direct Action, the uncovering of a Libya-Syria-Iran terror network and one of its arsenals, a crackdown on Basque separatists, and a material commitment to the Persian Gulf containment effort was, in the end, undermined by an apparent Franco-Iranian deal for a swap of hostages. The release from incarceration of a number of convicted terrorists and the resumption of debt payments to Iran in exchange for the release of two Frenchmen held in Lebanon, were considered scandalous by the United States and other Western governments who will be closely observing the outcome of this re-opened French relationship with Iran during 1988.

The early jockeying of political leaders and parties as they began preparations for the 1988 national elections were quite apparent at year's end. President Francois Mitterrand remained uncommitted to another term and was thus able to stay aloof from the early skirmishing. President Mitterrand probably can win the nomination if he chooses to run, but that choice was yet to be made as we went to press.

The precipitous decline in the fortunes of the French Communist Party would seem to have consolidated control of the left in the hands of President Mitterrand's Socialist Party. In fact, however, the migration of voters has created radical changes in the Socialist Party and an internal strife which was not previously present.

On the political right, Premier Jacques Chirac and former Prime Minister Raymond Barre are the leading candidates, while Jean Marie LePen is a vocal alternative with appeal to the far right. The ability of any of these men to consolidate the conservative vote is currently questionable, hence a lively political scene can be promised for the early months of 1988.

Federal Republic of Germany

Population: 61,123,000.

Government: Federal republic.

Head of Government: Chancellor Helmut Kohl

GDP: \$895.23 billion.

Per Capita Income: \$10,940.

Defense Expenditures: \$27.91 billion.

Armed Forces: Army—332,100 (175,900 conscripts, 645,000 reserves); Navy—36,400 including Naval Air (9,450 conscripts, 22,000 reserves); Air Force—108,700 (38,100 conscripts, 95,000 reserves); Inter-service staffs—11,200; Paramilitary: 20,000.

Total Regular Armed Forces: 488,400 (223,450 conscripts).

In January 1987 West Germans provided a less than resounding endorsement of Chancellor Helmut Kohl and the conservative coalition that has governed the Federal Republic since 1982. Some believe that only the radical Social Democratic Party's defense program—unilateral nuclear disarmament, for example—prevented a change of government. Others, citing the lowest turnout in West Germany's history, claim there was really no contest and that a closer race would have turned out greater numbers of Kohl's Christian Democratic Union supporters. Whatever the truth, Chancellor Kohl seems to have a comfortable majority for another four-year term, provided of course that his coalition partners remain steadfast in their support of his policies and programs.

The ruling coalition's dominance nationally did not, however, translate into state power where the conservatives lost some ground in every state election held during the year. For a while control of the Bundesrat, the upper house of the German Parliament—which reflects directly the political makeup of state and city-state governments—threatened to change hands. In the end, the possibility of an impotent federal government was averted as conservatives retained majority control of the several states.

Concern over reduction of Intermediate-range Nuclear Forces (INF) dominated both public and governmental discussions of defense issues throughout the year. West Germans, led by Chancellor Kohl, had been staunch advocates of nuclear missile reductions for a long time. Now, suddenly, they are faced with the reality of a US-Soviet INF agreement. Second thoughts, cautions, and concerns crept into German rhetoric, but in the end the offer to dismantle Pershing IA missiles as an immediate follow-on to the destruction of SS-20's and Pershing II's helped speed the historic agreement.

The West Germans understand clearly the linkage between the INF agreement and needed improvements to NATO's conventional defense capabilities. While their leadership of an accelerated modernization of NATO forces is not guaranteed, the exploration of a joint German-French defense force is an indication that serious consideration of this problem is underway. In

October, Chancellor Kohl and President Mitterrand gave further impetus to the idea by promising accelerated effort to establish a joint Franco-German Defense Council and an integrated German-French military unit to be formed by January 1988.

Meanwhile, Germany again played host to the military exercise program of NATO. This year, Exercise Reforger entailed the movement of the largest force ever from the United States to Germany. The III U.S. Corps from Fort Hood, Texas, deployed 30,000 soldiers to a Northern Army Group exercise in an impressive demonstration of the U.S. reinforcing capability for the North German plain, the historic east-west battleground of that part of Europe.

Berlin, celebrating its 750th anniversary, invited President Reagan to ceremonies which again publicized the friendship and mutual interests of the U.S. and the Federal Republic. There is no reason to believe that the commitment of these two nations to their mutual interests will change in any way in 1988.

Italy

Population: 57,797,000.

Government: Republic.

Head of Government: Prime Minister Giovanni Goria

GDP: \$499.80 billion.

Per Capita Income: \$6,520.

Defense Expenditures: \$11.98 billion.

Armed Forces: Army—265,000 (215,000 conscripts, 50,000 reserves); Navy—50,300 includes 1,500 air arm, 750 special forces (21,200 conscripts, 221,000 reserves); Air Force—73,000 (30,000 conscripts, 28,000 reserves); Paramilitary—223,624.

Total Regular Armed Forces: 388,300 (266,200 conscripts).

Political uncertainty continued as a dominant characteristic of Italian governments in 1987. Prime Minister Bettino Craxi, survivor of almost three years of coalition government—a stability very uncommon in Italy—resigned for the third time in March and the fourth time in April when his reorganization effort failed.

A national election in June saw a fragmenting of power among the left-wing factions as the Communists, Italy's third largest party, lost 22 parliamentary seats while the Radicals, the Proletarian Democrats and the Greens all made gains. The election also strengthened the Christian Democrats and the Socialists who both gained at the expense of their coalition partners, the Liberals, Republicans, and Social Democrats.

In August, Giovanni Goria, at 44, became Italy's youngest Prime Minister when he obtained a parliamentary vote of confidence for a restored five-party coalition.

In November, a revolt of the Liberals over economic policy caused this government to resign, but at year's

end Prime Minister Goria had restored harmony and the same five parties continued to share power. Economic crises centered on mass unemployment, outrageous interest rates, the soaring national debt, and highly unpopular tax increases, all surfacing after months of prosperity, stability and progress, seem to portend some serious political hurdles in 1988 for Italy's 47th government since 1945.

The Persian Gulf proved to be a political minefield for the Italians. After deciding that the threat to Italian shipping demanded the commitment of Italian minewsweepers and escort ships to convoy duty, the chairman of a large Italian corporation, Volsella Mecanotechnica, was arrested for having sold arms and munitions to Iran. Nevertheless, at year's end the Italians had actively joined the growing Western presence in the Gulf.

Earlier in the year, the Italian government had issued a warning to its Western allies that a new generation of terrorists was developing serious operating potential. Several months later, a bombing and rocket attack on the U.S. and U.K. embassies gave credence to reports that the terrorist Red Brigades and a number of their off-shoots were alive and functioning and would continue to pose serious problems for future Italian governments.

Spain

Population: 40,017,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Felipe Gonzalez Marquez

GDP: \$213.37 billion.

Per Capita Income: \$4,290.

Defense Expenditures: \$4.51 billion.

Armed Forces: Army—230,000 (165,000 conscripts); Navy—62,500 includes 11,500 marines (44,000 conscripts); Air Force—32,500; Paramilitary—110,500.

Reserves: 1,085,000 (all services).

Total Regular Armed Forces: 325,500 (209,000 conscripts).

For Spain's Socialist Prime Minister Felipe Gonzalez, 1987 was primarily a year of consolidation. He faced serious challenges from protesting students, frustrated labor unions, Basque separatists bent on terrorism and from various factions of the political right wing seeking control of Spain's political and economic destiny.

Nationwide, the government appeared to benefit somewhat from a resurgent economy, a welcome increase in foreign investment and a reduced inflation rate, all of which acted to help mute the effects of the violent protest strikes of last year and the continuing high unemployment rate. Union discontent with labor's share of the improved economy and a growing impatience and disagreement among the more left-leaning members of Gonzalez' own party could spell future trouble, but for now such matters seem to have quieted.

Internationally, the attention of Madrid, Washington

and other NATO capitals was focused on Gonzalez' demands for the removal of a wing of American F16 fighter-bombers from Torrejon air base and the scaling back of some of the 14,000 American troops stationed in Spain. Gonzalez, in 1986, pledged to the Spanish people that plebiscite approval of Spain's continuing commitment to NATO would be accompanied by a reduction of U.S. forces in their country. Throughout 1987, he gave every indication that he intended to fulfill that pledge and, despite strenuous U.S. and NATO protestations, the year ended with a Gonzalez declaration that the removal of the 72 aircraft and some 4,500 airmen was no longer negotiable.

Spain's action comprises the first time a European ally has unilaterally ordered the removal of American forces since France withdrew militarily from NATO in 1966. It also portends a serious weakening of NATO's southern flank just at a time when the United States and the Soviet Union are about to scrap much of their nuclear arsenals in Europe, raising the importance of conventional forces.

Spain's two-year run of general political stability and the continuing improvement in its economic atmosphere seemingly assures a positive contribution to the European Economic Community. Her contribution to the North Atlantic Treaty Organization and to the security posture of Western Europe is much less certain.

Portugal

Population: 10,424,000.

Government: Parliamentary democracy.

Head of Government: Prime Minister Anibal Cavaco Silva

GDP: \$28.99 billion.

Per Capita Income: \$1,970.

Defense Expenditures: \$937.38 million.

Armed Forces: Army—39,000 (30,000 conscripts); Navy—14,150 including 2,500 Marines (4,350 conscripts); Air Force—13,350 including 2,000 Paratroops (4,500 conscripts); Paramilitary—37,300.

Reserves: 190,000 (all services).

Total Regular Armed Forces: 66,500 (38,850 conscripts).

After 13 years of constant political change that saw 16 shaky governments come and go, the Portuguese people may have stumbled onto real stability. In April, the left-wing Socialists and the Communists engineered a vote of censure of the minority government led by Prime Minister Anibal Cavaco Silva's Social Democratic Party. It was their hope that President Mario Soares would reorganize the government, giving greater power to the coalition of leftists. Soares opted instead to dissolve parliament and called for nationwide elections in July—two years ahead of schedule.

The result was decisive victory for the center-right Social Democrats and the first majority government in the history of the new Portuguese democracy. Cavaco

Silva's party, which held 88 seats in the resigned government, captured 146 of the 250 seats in Parliament and more than 50 percent of the national vote. Thus, for the first time since the overthrow of the dictatorship in 1974, Portugal holds promise of at least four years of political stability.

The election results were a direct reflection of Cavaco Silva's immense popularity and an indication of the public's approval of his policies of the past 18 months. During that time, inflation had dropped from 30 percent to 10 percent, the economy grew 4.6 percent and development funds obtained through Portugal's recent membership in the European Economic Community helped fuel a recovering economy.

The new government in Lisbon portends no major changes in Portugal's strong commitment to NATO and the European Economic Community, but the majority position does provide Prime Minister Cavaco Silva a stronger hand with which to deal with the United States concerning American use of bases in Portugal and the Azores. In addition, the controversy over American base rights in neighboring Spain deal some powerful cards to the Portuguese and have the potential for making the coming year a fateful one for NATO on the Iberian peninsula.

Greece

Population: 10,434,000.

Government: Presidential parliamentary republic.

Head of Government: Prime Minister Andreas Papandreou

GDP: \$46.29 billion.

Per Capita Income: \$3,550.

Defense Expenditures: \$2.11 billion.

Armed Forces: Army—165,500 (108,500 conscripts, 350,000 reserves); Navy—19,500 (12,000 conscripts, 24,000 reserves); Air Force—24,000 (16,000 conscripts, 30,000 reserves); Paramilitary—29,000.

Forces Abroad: 3,000 Cyprus.

Total Regular Armed Forces: 209,000 (136,500 conscripts).

The southeastern flank of NATO continues in some disarray and the Greek government, though not solely responsible, can be assessed a significant share of the blame. An inbred hostility toward Turkey, understandable and explainable as it may be in some circles, serves mainly to disrupt NATO's solidarity in the region and create obstacles to the resolution of existing problems. The year 1987 passed much as AUSA's 1986 report predicted—a year that promised little in the way of improvement in the strength of NATO. In fact, the year saw aggravation of the existing problems rather than alleviation.

In the forty years that have passed since the "Truman Doctrine" made possible the salvation of democracy in the land in which democracy was born, both the gratitude and the commitment of the Greek nation toward

the United States have eroded. Mistrust has grown along with demands for the removal of U.S. forces and for a withdrawal of Greece from NATO. Advocates of such policies also adhere to the theory that the Warsaw Pact nations are no threat and are, in fact, becoming staunch economic partners who share Greek interests.

By the end of 1987, the Greeks had become so preoccupied with charges of Prime Minister Andreas Papandreu's scandalous personal behavior, which had alienated many of his Socialist followers in addition to his American-born wife, that there seemed little hope for progress in resolving three important issues facing NATO and the Athens government:

1. The legal, political and military status of the Aegean Sea;
2. Turkey's continuing presence in Cyprus and the perceived military threat to Greece inspired by Turkish activities;
3. The continuing presence of U.S. forces at bases and other installations on Crete and the Greek mainland.

For years NATO has been unable to settle questions regarding airspace control, the militarization of Greek islands, or operational control of military forces operating in the Aegean Sea and its environs.

The U.S. bases issue will most certainly come to a head in 1988 when the current agreement expires. At year's end, Papandreu continued to threaten termination of American forces in Greece unless Washington would guarantee the end of Turkish occupation of Cyprus and the protection of Greece from a possible Turkish military attack. Both demands seem to be beyond any reasonable U.S. accommodation which probably means that Papandreu will continue to spout his anti-American rhetoric and the security of NATO's southern flank will continue to deteriorate.

Turkey

Population: 52,512,000.

Government: Republic.

Head of Government: Prime Minister Turgut Ozal

GDP: \$57.63 billion.

Per Capita Income: \$1,080.

Defense Expenditures: \$2.23 billion.

Armed Forces: Army—542,000 (497,000 conscripts, 808,000 reserves); Navy—55,000 including 4,000 Marines (42,000 conscripts, 73,000 reserves); Air Force—57,400 (36,800 conscripts, 70,000 reserves); Paramilitary—126,100.

Forces Abroad: 23,000.

Total Regular Armed Forces: 654,400 (575,800 conscripts).

The problems in NATO's southeastern corner, referred to earlier, bring Turkey into sharp focus before many tribunals of the West. The great Cause Celebre is the continued Turkish occupation of 40 percent of Cyprus. The apparent intransigence of ~~Istanbul~~

ANKARA

this issue is a backdrop of anti-Turkish resolutions and condemnation by the American Congress and European Parliaments, and by a large segment of the world press. It would seem that Turkey's interests might be best served by an attempt to resolve this issue. Yet, post-World War II history tells us that if it weren't Cyprus some other issue would prevent full acceptance of or full cooperation with this beleaguered nation.

If ever a country should adopt a "bunker mentality" regarding where the next attack might come from, the Turkey of 1987 would be a good candidate. Terrorism seems to be on the rise again, this time better supplied and supported by bordering states, especially those with close ties to the Soviet Union. Kurdish and Armenian unrest is encouraged by American and European attention to the rights of these minorities as well as by the material support provided for their activities by Libya, Syria and Iran.

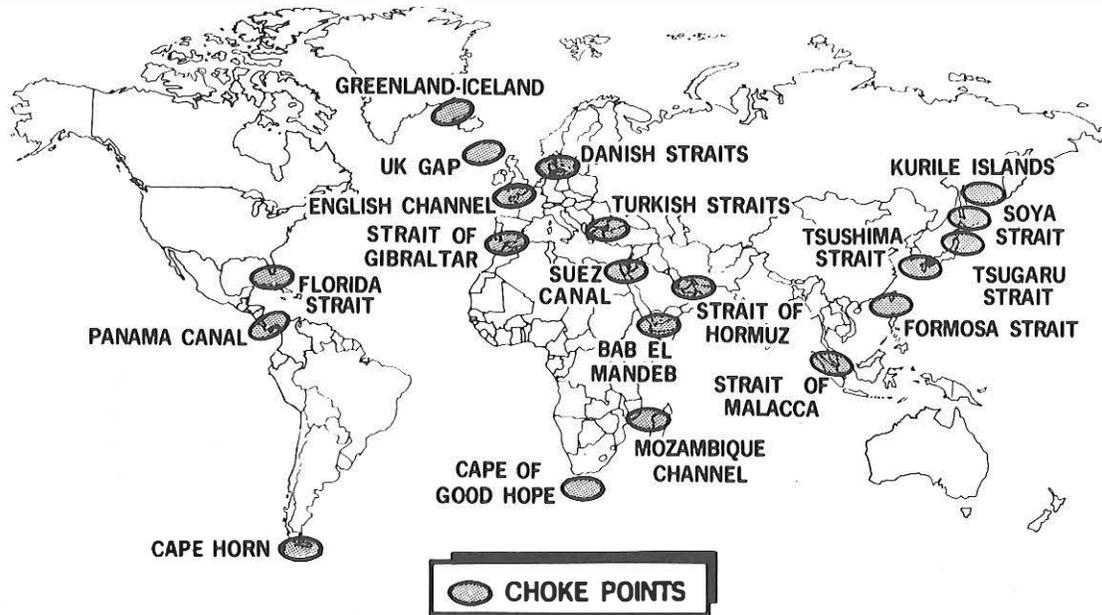
United States military and economic aid to Turkey was slashed drastically in 1986 and again in 1987 when Congress broke precedent by attaching restrictions and limitations on the use of that aid. The threat from the Soviet Union, for centuries never less than latent, is today a growing factor as the Russians employ a wide variety of tactical pressures designed to alienate Turkey from NATO, from the Arabs and from the United States. Moscow is readily disposed to support the activities of any faction that will contribute to the disruption of Turkish life.

But Turkey has proved itself tough and capable of dealing with the realisms of today's world. At year's end the Turks celebrated a truly democratic election which had allowed them to vote even for some leaders they had once barred from political activity. They looked forward to five years of political stability after the decisive victory of Prime Minister Turgut Ozal and his Motherland Party. They also enjoyed improved economic conditions and a promising outlook even though inflation and unemployment remained high and stubbornly unmoving.

Turkey remains a major strategic geographical entity in the world, more important than ever when the Middle East is in turmoil. It is making political, economic and military progress that is commendable, despite the apparent indifference, neglect and frequent criticism of its NATO allies. Further Turkish progress is in the best interests of the Western world and it will be interesting to observe whether or not such progress can be made in 1988.

— WORLD-WIDE CHOKE POINTS —

• FREE AND UNENCUMBERED PASSAGE THROUGH THESE STRATEGIC WATERWAYS IS ESSENTIAL TO THE PEACETIME ECONOMY OF THE FREE WORLD — AND TO OUR NATIONAL SURVIVAL IN WARTIME —



THE SOVIET UNION AND EASTERN EUROPE

USSR

Population: 282,550,000.

Government: Communist dictatorship.

Head of Government: Mikhail Gorbachev

GNP: \$1.670 - 2.230 trillion.

Per Capita Income: \$2,600.

Defense Expenditures: \$30.37 billion (10-17% of GNP).

Armed Forces: Strategic Nuclear Forces Command—298,000 (plus 112,500 assigned from Air Force and Navy, 217,000 conscripts); Army—2,000,000 (1,400,000 conscripts, 3,500,000 reserves); Air Defense Troops—520,000 (377,000 conscripts, 768,000 reserves); Navy—477,000 (343,000 conscripts, 700,000 reserves) includes 17,000 Strategic, 70,000 Naval Air, 18,000 Naval Infantry and 13,000 Coastal Artillery and Rocket Troops; Air Force—454,000 (330,000 conscripts, 699,000 reserves); Paramilitary—570,000 KGB.

Forces Abroad: 196,415.

Total Regular Armed Forces: 5,226,600 (2,667,000 conscripts) includes 1,477,000 railroad, construction, labor and command and general support troops not otherwise listed.

When *TIME* selected Mikhail Sergeyevich Gorbachev as “Man of the Year for 1987,” the editors stated: “Perhaps Gorbachev’s most obvious accomplishment is that he has reinvented the idea of a Soviet leader.” In the 33 months since he became leader of the largest country in the world, General Secretary Gorbachev has worked hard to create that very image. Along the way he has been both a ruthless political opportunist and a deft master of international diplomacy.

Gorbachev’s initial effort to consolidate power was centered on the removal of many regional Communist Party functionaries and their replacement with people upon whose loyalty he could rely. Initial success in that arena gave him the confidence to begin cleaning house among the generals, a task made easier when a young West German pilot penetrated the vaunted Soviet air defenses and landed his small Cessna in the heart of Moscow’s Red Square. When the dust settled from that affair, Defense Minister Sergei Sokolov had been sacked and many of his wartime generation of Marshals and Generals had been marched off into retirement. More importantly, the new Defense Minister, a relatively junior Gen. Dmitry Yazov, is not even a candidate-member of Moscow’s ruling Politburo, a fact which helps dramatize Gorbachev’s intention to limit military influence over Soviet policy.

His purge of the Defense Ministry not only tightened Gorbachev’s grip on the military, it sent a clear signal

EASTERN EUROPE



that his control in the Politburo was a lot more firm than many would have suspected. By elevating a number of loyal allies to the Kremlin's ruling body, he has helped pave the way for implementation of his dual policies of openness and economic reform. Gorbachev loyalists now comprise almost two-thirds of the Politburo and more than three-fourths of the Communist Party Secretariat. His next target would seem to be the Central Committee itself, and his best opportunity to rebuild that powerful organization will probably come with the 19th party conference now scheduled to convene in June 1988.

All of General Secretary Gorbachev's efforts to consolidate power were not restricted to within the Soviet Union. In fact, the people of the six East-bloc nations that must follow the Kremlin lead have taken to Gorbachev and his changes much more readily than have the Russians. However, with the exception of Poland's Gen. Jaruzelski, the Soviet leader still faces the challenge of convincing the aging leaders of the Eastern European countries of the virtues of *glasnost* and *perestroika*. At this writing, his efforts have received mixed reviews—inspiring to the people who yearn for more of a voice in how they are ruled, but with skepticism on the part of the leaders of the Communist parties who do the ruling.

In the world outside the Iron Curtain, Gorbachev caused many to breathe easier and many others to gasp when he accepted President Reagan's stipulations for verification procedures, the last obstacle to the treaty calling for destruction of United States and Soviet intermediate-range nuclear missiles in Europe. When he traveled to Washington for the December signing of that treaty, his hail-fellow-well-met image seemed to receive the same acceptance in the United States as it had in all the capitals of Eastern Europe.

A wider discussion of the impact of the INF treaty on the NATO-Warsaw Pact balance can be found earlier in this report. For the people of the Soviet Union it represented the first tangible foreign policy success in their new leader's three years in office. It also raised their hopes that additional resources would be applied to rescuing the sick economy thus somehow helping to improve their lives.

Gorbachev still faces the headaches caused by the failing economy, reluctance on the part of the bureaucracy to relax its failed central planning system and the determined efforts of Stalinist-era security officials to persecute religious and ethnic minorities. He is still searching for a way out of Afghanistan and until he finds it he will continue to suffer the harsh criticism of the Free World and that of Russian mothers whose sons are dying there. These are problems that demand the attention of Gorbachev, the power politician, not Gorbachev the PR man.

Poland

Population: 37,780,000.

Government: Communist dictatorship.

Head of Government: Gen. Wojciech Jaruzelski

GNP: \$95.6 - 254.1 billion.

Per Capita Income: \$2,050.

Defense Expenditures: \$5.90 billion.

Armed Forces: Army—230,000 (168,000 conscripts, 430,000 reserves); Navy—19,000 (6,000 conscripts, 55,000 reserves); Air Force—80,000 (30,000 conscripts, 31,000 reserves); Paramilitary—115,000.

Forces Abroad: 157.

Total Regular Armed Forces: 394,000 includes 65,000 Territorial Defense Troops (231,000 conscripts).

The military government of Gen. Wojciech Jaruzelski leads all other East bloc surrogates in its enthusiasm and backing for Mikhail Gorbachev's *glasnost* and *perestroika*. Among the leaders of the Soviet satellite countries, Jaruzelski, 63, is closest to Gorbachev in age and outlook and was the first to attempt to follow Moscow's lead in political and economic reform. In fact, the Polish regime's amnesty for political prisoners preceded by some five months the release of a few prominent dissidents in the Soviet Union.

While he appears pretty much in tune with Gorbachev, Jaruzelski still faces the formidable task of satisfying Prague's Communist Party hardliners. His problem is to convince them that he can execute much-needed reforms without relinquishing party control over Poland. Similarly, he is confronted with the seemingly impossible mission of convincing 38 million skeptical Poles that he really has their best interests at heart.

While Jaruzelski struggles to get his message across in Warsaw, he seems to be having an easier time of it with Washington. On February 19, President Reagan lifted the remaining economic sanctions which were imposed against Poland following a 1981 declaration of martial law. The removal of the ban on trade credits and restoration of Poland's "Most Favored-Nation" trade status came primarily in response to powerful pleas from the three main elements of Polish society—the Roman Catholic Church, the regime, and the opposition, the latter centered on the independent trade union Solidarity. The Jaruzelski regime's purpose in joining with the Catholics and Solidarity in calling for lifting of the sanctions is seen by many as just another step in its quest for legitimacy.

Whatever his motivation, Jaruzelski was faced with the inescapable reality that change was desperately needed to cope with Poland's dismal economic conditions. Living standards had fallen below that of 1975, the foreign debt was crowding \$35 billion and workers were becoming increasingly unpleasant over wages that averaged less than \$90 a month.

Jaruzelski's solution was to impose a program of harsh austerity measures including food price increases as high as 110 percent, along with some vague promises

of democratization. Then, in an extremely unusual move for a communist regime, he opted to put his economic and political reforms to a vote by calling for a nationwide referendum in November.

When fully one-third of the eligible voters boycotted the plebiscite and 30 percent of those who turned out voted no, the people of Poland soundly rejected Jaruzelski's reform formula.

The startled government at first beat a hasty retreat from its bold initiatives, but toward the end of the year the communist leadership announced its intention to impose a moderated version of reform which included basic food price hikes of 40 percent next year, tempered with some political liberalization to give the people a little more say in how they are ruled.

Jaruzelski's latest edicts subject him to some very tough challenges in the coming months. If he does not find some way to salve the frustrations of the millions of members of a reviving Solidarity and other opposition forces, he could very well become the third Communist leader of Poland to be overturned by strikes and protests.

The German Democratic Republic (East Germany)

Population: 16,610,000.

Government: Communist dictatorship.

Head of Government: Erich Honecker

GNP: \$85.5 - 175.0 billion.

Per Capita Income: \$8,000.

Defense Expenditures: \$11.539 billion.

Armed Forces: Army—120,000 (71,500 conscripts, 330,000 reserves); Navy—16,000 (8,000 conscripts, 30,000 reserves); Air Force—40,000 (15,000 conscripts, 30,000 reserves); Paramilitary—84,000.

Forces Abroad: 2,370.

Total Regular Armed Forces: 176,000 (94,500 conscripts).

East German leader Erich Honecker's reluctance to adopt many of the programs originating from Moscow has not endeared him with Soviet leader Mikhail Gorbachev nor with East Germany's small but growing dissident movement. Likewise, his long awaited visit to West Germany—ostensibly to cement East-West friendship—proved to be more show than substance, since its biggest gain was to Honecker's political stock at home. About the only positive result of the visit came when Honecker later ordered communist border guards to stop shooting civilians trying to flee to the West.

Honecker's resistance to change stems largely from his stated conviction that the German Democratic Republic's "socialist democracy" had proved itself far superior than its "bourgeois" variant. He has frequently expressed his skepticism concerning the need to reform the orthodox political and economic policies that he feels have given East Germany one of the most stable and prosperous societies in the East bloc.

Honecker held fast to these views even to the point of

appearing to censor Gorbachev. While the Soviet leader's spring visit to Prague, Budapest, Sofia and other bloc capitals was widely acclaimed, press coverage of his three-day stop in East Berlin was limited to a four-sentence dispatch in the official Communist Party newspaper in East Germany and only slightly more exposure on the state-run television station. In general, the East German regime's attitude seems to be one of viewing reform as a fine thing for the Soviet Union but not needed here.

For decades Honecker has been somewhat of an international pariah as the architect of the Berlin Wall. Lately, because of his special relationship with the West, through his German cousins, he appears to relish the role as a channel of communications in East-West dialogue. As superpower relations continue to warm, his value in that role is steadily diminishing. To preclude further loss of standing among East bloc comrades, Honecker finally convinced Moscow to okay his visit to West Germany and in September he became the first East German Communist leader to visit West Germany since the postwar division of that nation was formalized in 1949.

At the same time that citizens of West Germany are heartened by the dynamics of Gorbachev's new policies toward Western Europe, their cousins on the eastern side of the iron curtain view their own aging leader's resistance to change as a damper on their dreams of someday living a freer life.

Czechoslovakia

Population: 15,700,000.

Government: Communist dictatorship.

Head of Government: Milos Jakes

GNP: \$69.5 - 149.5 billion.

Per Capita Income: \$5,800.

Defense Expenditures: \$5.42 billion.

Armed Forces: Army—145,000 (100,000 conscripts, 270,000 reserves); Air Force—56,000 (18,000 conscripts, 10,000 reserves); Paramilitary—131,000.

Total Regular Armed Forces: 201,000 (118,000 conscripts.)

Among the aging East European leaders, Czechoslovakia's President Gustav Husak had more reason than most to adopt a wait-and-see attitude concerning the changes being proposed in the Soviet Union. After all, it was Husak who had dismantled similar reforms following a Warsaw Pact invasion nearly two decades ago.

In the 19 years since Russian tanks led the other Warsaw Pact armies down the streets of Prague, Husak's government has been the bloc's staunchest adherent to orthodox central planning and political rigidity. Czechoslovakian memories of the suppression of Alexander Dubcek's reform movement are easily recalled when they read of the difficulties Mikhail Gorbachev encounters in pressing for economic and political reforms in the Soviet Union. They draw an uneasy

parallel between the humiliation of Dubcek and the recent firing of Moscow Communist Party chief Boris Yeltsin, both of whom were punished for carrying reform too far, too fast.

Another reason for caution in the liberalization process in Czechoslovakia can be found in Prague's domestic political circumstances. First, Gustav Husak is aging and ailing. Secondly, under Husak's rule, Prague's once-thriving economy has declined to a state of stagnation. For the past five years growth averaged around 1.5 percent annually, the lowest in several decades. For that reason alone, many Czechoslovakians look to Gorbachev's reforms to produce beneficial changes in the quality of their lives.

With most Czechoslovakians feeling that almost anyone would be an improvement, there was no surprise in the announcement of the resignation, one week before Christmas 1987, of Gustav Husak and his replacement as the Secretary General of the ruling Communist Party of Czechoslovakia by Milos Jakes. The new party chief, an old crony of Husak, had helped extinguish the "1968 Prague Spring" by overseeing the purge of hundreds of thousands of reform-minded party members while Husak was solidifying his control on Prague.

Jakes and his fellow apparatchiks will be content to cautiously pursue some of the Gorbachev urgings, if only to save their own necks. They are in the unenviable position of having to persuade 16 million Czechs that they are on their side without bringing down the wrath of their Kremlin bosses because of any slippage in party control.

Hungary

Population: 10,622,000.

Government: Communist dictatorship.

Head of Government: Janos Kadar

GDP: \$23.6 - 81.0 billion.

Per Capita Income: \$1,950.

Defense Expenditures: \$2.425 billion.

Armed Forces: Army—84,000 (50,000 conscripts, 135,000 reserves); Air Force—22,000 (8,000 conscripts, 8,000 reserves); Paramilitary—76,000.

Total Regular Armed Forces: 106,000 (58,000 conscripts).

Living standards for most Hungarians, while still better than those in Russia and far better than other East bloc countries, took a turn toward the down side in 1987. The early result was a reshuffling of the Communist Party leadership and some startling adjustments to its economic programs.

Hungarians have long speculated over the possible successor to their leader of the past 31 years, Jonas Kadar, age 75. Changes made last spring to the Hungarian Socialist Workers' Party merely narrowed the field. Kadar's deputy, Karoly Nemeth, inherited the mostly-ceremonial post of President which effectively

removed him from contention for the party's top spot. Promotions were in order for two other contenders when Budapest party chief, Karoly Grosz, assumed the Prime Ministership and party propaganda chief, Janos Berecz, was elevated to the 13-member Politburo.

While Hungarian masses looked to new leadership to ease their growing frustrations with Kadar's exhausted policies, they were hardly prepared for Prime Minister Grosz' startling introduction of new austerity measures and new reforms of the socialist programs. Because, on January 1, 1988, Hungarians became the first citizens of a Soviet bloc country to have to bear the burden of a value-added tax and (at the same time) a progressive personal income tax.

These unprecedented moves were greeted with a less than enthusiastic attitude by Hungarians who had been witness to the economic slump in their once vigorous economy. Sagging exports, stagnating manufacturing and high government spending on unprofitable enterprises have pushed Hungary's hard currency debt to \$16 billion, the highest per capita in Eastern Europe.

Attempting to snap Hungary out of its economic doldrums, the government announced a series of tough, new austerity measures including drastic reductions in subsidies for consumer goods and for money losing enterprises, which now siphon off around 30 percent of government spending. These hard choices are expected to result in drastically higher prices, mass unemployment and an overall decline of as much as 15 percent in real income for ordinary Hungarians next year.

The new leadership in Budapest also knows that all eyes in the Kremlin will be on them as they face the challenge of containing public discontent long enough for these latest economic reforms to bear fruit. If the new policies do work, it is reasonable to expect them to be copied in some of the other staggering countries in Eastern Europe, maybe in Russia, itself. Conversely, there is ample speculation that they may not succeed, increasing the chances for unrest among a people whose will has been severely tried by persistent economic strain.

Romania

Population: 23,670,000.

Government: Communist dictatorship.

Head of Government: President Nicolae Ceausescu

GNP: \$62.2 - 128.3 billion.

Per Capita Income: \$2,020 (1984 estimate).

Defense Expenditures: \$1.171 billion.

Armed Forces: Army—140,000 (95,000 conscripts, 500,000+ reserves); Navy—7,500 (2,500 conscripts, 11,000 reserves); Air Force—32,000 (10,000 conscripts, 45,000 reserves); Paramilitary—935,000 border guards.

Total Regular Armed Forces: 179,500 (107,500 conscripts).

Consistent with his image as the maverick among Soviet allies, Romanian leader Nicolae Ceausescu categorically rejects any of the broad economic, social and political reforms being pushed in the Eastern bloc by Mikhail Gorbachev. No bloc country is more in need of reform than Romania where, in just two decades of Ceausescu's rule, a once vigorous economy has been dismantled, serious food shortages prevail and the citizens are persecuted by the most repressive police force in the Soviet bloc since Stalin.

By overtly criticizing Gorbachev's campaign for *glasnost* (openness) and *perestroika* (restructuring), the Romanian leader set himself up for some pointed public reminders of his own dismal economic performance. On a late May visit to Bucharest, Gorbachev made it clear that Romanian recalcitrance would not be permitted to interfere with his reform programs. The Soviet chief's displeasure was seemingly backed with action when Soviet agents reportedly fomented a rift within the Romanian security apparatus and Moscow began to expand its contacts within the Romanian Communist Party—both moves aimed at threatening Ceausescu's tight grip on all things Romanian.

While Gorbachev's suggested reforms were given scant attention in Romania, there were those in the U.S. Congress who sought action that they hoped would alter the policies and practices of Eastern Europe's most oppressive dictator.

Since 1975 Romania has enjoyed preferential trade treatment with the United States, premised on that country's supposed liberal emigration and human rights policies. And for almost as many years, there have been those in Congress who have protested the granting of "Most-Favored-Nation" trade status to Romania in light of reports of a deplorable record with respect to treatment of its ethnic minorities. In 1987, Washington's frustration and impatience with Ceausescu's policies took the form of a six-month suspension of MFN status, voted by both houses of Congress.

Unfortunately, it is the economically deprived masses, especially the religious and ethnic minorities of Romania, who suffer most from any additional economic burdens heaped upon them. Even with pressure from both superpowers, it is difficult to foresee Ceausescu ever mending his ways or altering his hard line Stalinist economic and political policies. Worse yet for the Romanian people, he has given every sign that his worrisome practices will continue long after he goes to his grave in that all control of the Bucharest government and the Communist party that runs it, now rests in the hands of the 30 members of Ceausescu's immediate family who now hold the highest government positions.

Bulgaria

Population: 9,060,000.

Government: Communist dictatorship.

Head of Government: Todor Zhivkov

GNP: \$26.4 - 58.9 billion.

Per Capita Income: \$2,806.00.

Defense Expenditures: \$1.656 billion.

Armed Forces: Army—110,000 (70,000 conscripts, 182,500 reserves); Navy—8,800 (6,000 conscripts, 14,000 reserves); Air Force—34,000 (18,000 conscripts, 20,000 reserves); Paramilitary—131,000.

Total Regular Armed Forces: 152,800 (94,000 conscripts).

Todor Zhivkov, Bulgaria's leader for over three decades, was only one of the aging Communist bosses in Eastern Europe to feel the pressure from Mikhail Gorbachev for adoption of his programs of openness and restructuring. Yet, while the leaders of some bloc nations either rejected these plans outright or reacted in a hesitant manner, Zhivkov's program for reforming Bulgaria's sagging economy and its centralized, cumbersome political apparatus often seemed to be well ahead of even Kremlin plans.

Back in April 1986, Zhivkov sounded the call for "profound change" in Bulgaria's economy in a major speech before the 13th Communist Party congress in Sofia. Since then, he has shown some coolness toward the openness policy but there has been no doubt about his total commitment to the need for changes in Bulgaria's economic planning and the political structure that runs it. His earlier calls for broad reforms were again reinforced in a July 1987 speech to a Communist Party plenum when he announced far-reaching governmental and economic restructuring that would include stripping the Communist Party of much of its authority and pomp and opening that party to opposition from other organizations.

While somewhat short on specific details, the July speech indicated that both the Council of State and the Council of Ministries would no longer be needed and would be replaced by something Zhivkov referred to as a "national coordinating body." Several government ministries are to be merged, others eliminated entirely, and still other new organizations created.

On the economic side, each industrial enterprise would henceforth make its own production and sales decisions; raise its own capital through commercial banks that are to be created; elect its own management and distribute its revenues as it wishes. Depending on the manner in which these reforms are implemented, they could make Bulgaria the most changed nation in the Eastern bloc.

Yugoslavia

Population: 23,397,000.

Government: Communist federation.

Head of Government: Prime Minister Branko Mikulic

GMP (gross material product): \$41.01 billion.

Per Capita Income: \$2,070.

Defense Expenditures: \$1.99 billion.

Armed Forces: Army—165,000 (110,500 conscripts, 500,000 reserves); Navy—12,500 including 900 marines and 2,300 coast guard (6,000 conscripts, 45,000 reserves); Air Force—36,000 (7,000 conscripts, 30,000 reserves); Paramilitary (under army)—15,000 frontier guards, 5,000 police force.

Total Regular Armed Forces: 213,500 (123,000 conscripts).

It has been seven years since the passing of Josip Broz Tito, father of Yugoslavian communism, but his legacy lives on to haunt the 25 million inhabitants of this miscegenation of Balkan republics called Yugoslavia. That legacy includes a system of "worker self-management," praised by Yugoslav Communists as the essence of true socialism, whereby the workers control everything in the country—factories, schools, hospitals, stores, hotels, bus lines, ballet companies—everything except the Army. When he died in 1980, Tito also bequeathed to the nation a collective presidency—a nine-member committee representing Yugoslavia's six semi-independent republics, its two autonomous provinces and the head of the Communist party. Today, the worker-managers have brought Yugoslavia to the brink of economic chaos and the ethnic antagonisms and competing nationalisms of the collective Presidency of the Republic have brought on bureaucratic paralysis.

At the root of Yugoslavia's economic woes are the worker's councils which are supposed to make all important decisions, from wages, health benefits and other services to prices, marketing, distribution and annual reports. The one thing they have not learned is how to properly invest profits. All too frequently they award themselves fat raises, vacation homes, etc. Annual wage growth averages 110 percent, meaning there is little money left for machinery replacement or spare parts. Money for emergencies isn't even a consideration.

The result at the factory and field level is that major enterprises remain unprofitable year after year. To cover their mismanagement, the worker's councils borrow heavily and when their indebtedness drives up inflation (now close to 200 percent), and the government tries to freeze wages and prices to curb the spiral, they strike. In 1987 alone there were about 1,000 illegal strikes involving hundreds of thousands of doctors, factory workers, food vendors, bus drivers, school teachers, coal miners, farmers and others.

On several occasions during 1987, the government in Belgrade attempted to impose stringent controls to break the price spiral and gain control of Europe's

highest annual inflation rate, only to see inflation worsen because the government lacked the power to enforce its edicts. Consensus has never been possible among the divided and often feuding Slovenes, Bosnians, Croats and Serbs who protest having to subsidize the poorer Albanians of the southern provinces of Kosovo and Macedonia. To this point there has not yet emerged a political power with sufficient strength to unscramble Yugoslavia's deepening economic crisis.

AFRICA

Morocco

Population: 23,362,000.

Government: Constitutional monarchy.

Head of Government: King Hassan II

GDP: \$15.11 billion.

Per Capita Income: \$560.

Defense Expenditures: \$848.61 million.

Armed Forces: Army—170,000; Navy—7,000 including 1,500 naval infantry; Air Force—15,000; Paramilitary—35,000; Royal Guard—1,500.

Forces Abroad: 300.

Total Regular Armed Forces: 203,500 includes 10,000 gendarmerie.

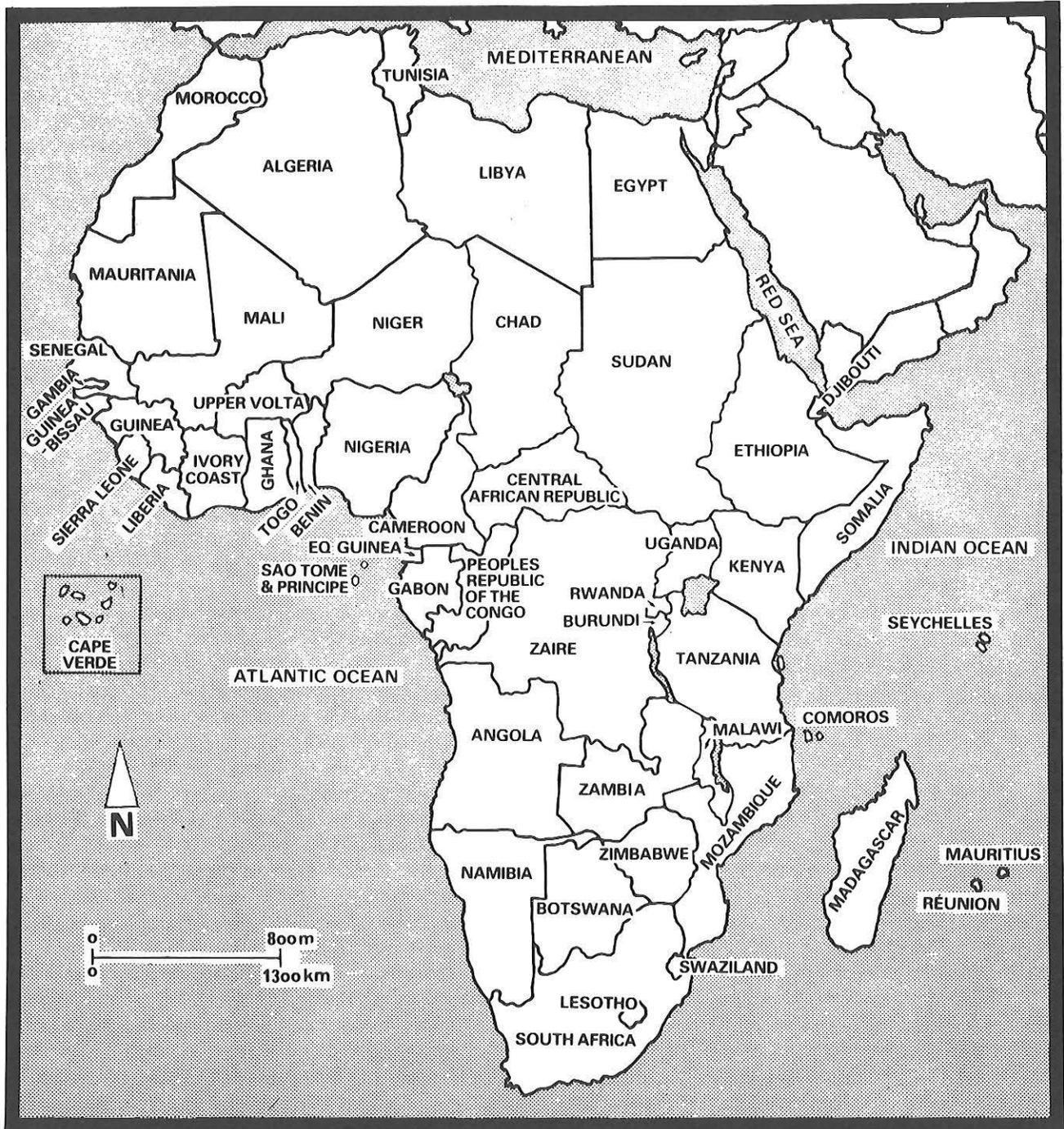
The country of King Hassan II remains engulfed in a twelve-year-war with the Marxist-led Polisario Front which has severely undermined a once stable economy. At the same time, there has been a marked rise in radical Islamic fundamentalism which Hassan has been hard pressed to keep in check. Yet, while these serious problems are heaped at his doorstep, Hassan has managed to strengthen his country's ties with both the United States and the European Economic Community—moves which will hopefully help to shore up Morocco's ailing economy.

Relations with neighboring Algeria have been deeply strained by that nation's backing of the leftist-oriented Polisario guerrillas who are fighting to gain control of what once was the Spanish Sahara. A meeting in May between the two countries' leaders, arranged by Saudi Arabia's King Fahd, helped ease the tension somewhat.

To further its anti-Polisario effort, Morocco has now completed its defense wall, a ten-foot high sand and rock structure, manned with listening posts and defensive positions, which runs the entire length of its eastern border. This strategy has forced the insurgents to dramatically alter their tactics by making them fight on ground of the defender's choosing. Relief from the financial burden of constructing the defensive wall has cut Morocco's war costs from \$1 million to \$350,000 a day.

This slashing of the burden of war on the country's deficit comes at a propitious time for Hassan. Saddled with an \$18 billion foreign debt and faced with lower phosphate prices and a depressed copper market, the

AFRICA



economy cried out for help and the only place Hassan could find it was to the West.

Hassan has implemented sound measures to promote growth in Morocco by increasing phosphate mining, of which Morocco has two-thirds of the world's reserves, and by expanding iron, coal, lead, zinc, and copper mining. In broadening his country's economic base, Hassan has attracted stronger investment from the foreign sector. To date Morocco has already leased 14,000 square kilometers of offshore territory for oil exploration. Lower world oil prices have helped to halve the country's oil import bill, which in turn eases the war fuel burden and takes another strain off the economy. A

recent agreement with the United States to purchase Moroccan produce for American soldiers in Europe is another positive indicator of economic progress for Morocco.

While no one believes the Polisario guerrillas are strong enough to be the undoing of King Hassan II, the effects of their separatist struggle on Morocco's economy could seriously jeopardize the nation's security. Fortunately, the King has taken some courageous steps to stabilize an extremely volatile situation. For the present all indicators are that his leadership and diplomatic skills will continue to be sorely tested as he strives to achieve peace and economic recovery in Morocco.

Algeria

Population: 23,550,000.

Government: Republic.

Head of Government: President Chadli Bendjedid

GDP: \$69.12 billion.

Per Capita Income: \$2,550.

Defense Expenditures: \$1.24 billion.

Armed Forces: Army—150,000 (70,000 conscripts, 150,000 reserves); Navy—7,000; Air Force—12,000; Paramilitary—30,000.

Total Regular Armed Forces: 169,000 (70,000 conscripts).

Long considered a bulwark of stability in volatile North Africa, Algeria celebrates its 25th year of independence facing two potentially destabilizing problems. The first, viewed as long term is the annual population growth rate of 3.2 percent, one of the world's highest. The second, and more immediate, is a declining economy, now hard hit as a result of a global drop in oil and gas prices, source of 98 percent of its export revenues.

At present, two-thirds of its 23 million inhabitants are under the age of 30, and if the present growth rate is not curtailed, the population could double by the year 2000.

Frustration and resentment among Algeria's estimated 20 percent unemployed could provide fertile ground for a marked rise in radical Islamic fundamentalism. President Chadli Bendjedid has been able to control outbreaks of fundamentalist unrest by channeling religious activity through state-sponsored mosques under the direction of his own Ministry of Religious Affairs. The government has funneled over 40 percent of the annual budget into educational programs for the youth in an attempt to prepare them for entry into the work force whenever that may be possible.

Algeria's almost total dependence on energy reserves for its export revenues has almost crippled a once-prosperous economy in light of the world oil glut and lower hydrocarbon prices. With revenues cut almost in half, Bendjedid slashed imports by 50 percent in order not to miss payment on the country's \$14 billion debt.

Bendjedid's agricultural programs are now showing promise in a country that in the past has had to import more than half its food. Price incentives and other reforms have moved farming away from collectivism towards private farming which now grows two-thirds of the country's cereal crop. Egg and potato production have increased enough to eliminate imports and move Algeria closer to self reliance.

Bendjedid backed away from a plan for political union with neighbor Libya, a union which Muammar Qaddafi has insistently pursued. Judging from his recent performance and the present political stability in Algeria, President Bendjedid should be able to cope with problems for the near term.

Tunisia

Population: 7,115,000.

Government: Republic.

Head of Government: President Ben Ali

GDP: \$22.20 billion.

Per Capita Income: \$1,190.

Defense Expenditures: \$525.06 million.

Armed Forces: Army—31,000 (25,000 conscripts); Navy—5,000 (700 conscripts); Air Force—4,100 (700 conscripts); Paramilitary—9,000.

Total Regular Armed Forces: 42,100 includes 2,000 gendarmerie (27,000 conscripts).

At the beginning of the year some Western analysts compared Tunisia to the Iran of 1979 and President-for-Life Habib Bourguiba with the then-reigning Shah. The country was witnessing a marked rise in radical Islamic fundamentalism, spurred by the Islamic Tendency Movement (MTI) funded and supplied from Iran. In view of such a serious challenge to his authority, the aging and ailing Bourguiba clumsily sought to tighten his grip on power and in so doing alienated many elements of the society who were once loyal to him. As the year progressed, his actions became less and less coherent and his rule became increasingly autocratic. November brought an end to Bourguiba's rule when Prime Minister Zine el Abidene Ben Ali took power on the grounds that the president was senile and too ill to govern.

Despite his recent failures, Bourguiba's many earlier accomplishments should not be minimized. He was instrumental in the movement to gain Tunisia's independence from France and, once in power, helped to make Tunisia one of the most developed nations in Africa. He made great strides in education, women's rights and housing while helping his people to obtain one of the highest standards of living in Africa. His rule was decidedly pro-Western and he sought to keep a strong division between church and state in this predominantly Islamic nation.

In the last few years Bourguiba's behavior became increasingly erratic. He ended a three-year-old experiment with pluralism by banning all opposition parties and muzzling the press. On the advice of his niece, he divorced his politically influential wife Wassila, who openly favored the movement toward greater democracy.

Although Tunisia has enjoyed real economic growth of four percent over the past nine months and a 30 percent increase in exports, unemployment has been running between 15 and 25 percent. In a country where 60 percent of the population is under the age of 25, this could be a potential time bomb.

Earlier this year, the government put on trial 90 members of the MTI charged with attempting to overthrow the government and bombing four resort hotels. In the past year as many as 2,000 militants have been arrested in the harsh crackdown on fundamentalism. Though the prosecutor sought the death penalty for all 90, that

judgment was rendered in only seven cases. Thirteen accused were acquitted. The remainder received long prison terms.

In early November, when Bourguiba demanded retrial of all those who were not sentenced to death, many politicians feared a revolution could be sparked. Ben Ali moved at the right time. Every sector of the society from the labor movement, to the opposition parties, to the MTI applauded Ben Ali's move to depose Bourguiba.

President Ben Ali is a former general with a power base rooted among Tunisia's top security officials. He received his formal military training in France and the United States and is widely expected to maintain Tunisia's pro-Western stance. Ben Ali has already moved to broaden the political spectrum by releasing nearly 2,500 political prisoners and by unleashing the nation's press. He has also moved to make Tunisia's political system one that is based on multi-party participation—a move that might hold great promise for the country's future.

Libya

Population: 3,800,000.

Government: Socialist Republic under military control.

Head of Government: Col. Muammar al-Qaddafi
GDP: \$18.80 billion.

Per Capita Income: \$7,170.

Defense Expenditures: \$1.29 billion.

Armed Forces: Army—60,000; Navy—6,500; Air Force—10,000; Paramilitary—2,500; Reserves—40,000 people's militia.

Forces Abroad: 3,000 (Chad).

Total Regular Armed Forces: 76,500.

Col. Muammar Qaddafi, the "Revolutionary Leader" of Libya, has not had a good year. His war with Chad is a disaster. He is ignored and isolated by his Arab brothers. He has been ostracized by the Organization of African Unity for his mis-adventures in Chad. Yet, Qaddafi's autocratic rule survives with no apparent internal or external challenge of note.

Libya's isolation has forced Qaddafi to hone his diplomatic skills while becoming increasingly subtle in his terrorist-supporting endeavors. On the diplomatic front, Qaddafi has repaired ties with Jordan, has been less vocal in his support for Iran, and has tried to regain friends in northern Africa. Conversely, relations with once friendly Syria have cooled in the wake of a visit to Iraq, by Libya's foreign minister, a visit made in an effort to gain favor with some of the more moderate Arab states. Neighboring Algeria had earlier been pressed to sign a "Treaty of Union" with Qaddafi; yet that effort, however, fell short.

Qaddafi remains active in international terrorism, although he has toned down the braggadocio since the American air strikes of 1986.

The debacle in Chad has cost Libya dearly. In March, the Libyan Army was routed by poorly equipped Chadian forces at Fada, Quadi Doum, and Faya Largeau in northern Chad. At least 3,000 Libyans were killed and another 900 captured. Equipment valued at over \$500 million was abandoned in Qaddafi's most serious defeat since seizing power in 1969.

The Libyan Army, once seen as the only serious threat to Qaddafi's grip on power, is today disgruntled and demoralized. It is held in check by the Revolutionary Guard, a fiercely loyal pro-Qaddafi paramilitary group, which controls the flow of ammunition to all the armed forces.

A tight security apparatus, based on fear and intimidation, has helped this erratic egomaniac maintain his position of power in Libya for 17 years. The public executions of 26 people, including nine members of the military, are recent examples of the terror tactics Qaddafi uses against his own people. Threats that he would allow the Soviets to base nuclear missiles in Libya are part of his attempt to play a leading role in international power politics

Egypt

Population: 52,000,000.

Government: Republic.

Head of Government: President Hosni Mubarak

GNP: \$63.58 billion.

Per Capita Income: \$610.

Defense Expenditures: \$4.57 billion.

Armed Forces: Army—320,000 (180,000 conscripts, 500,000 reserves); Navy—20,000 (10,000 conscripts, 14,000 reserves); Air Force—25,000 (10,000 conscripts, 20,000 reserves); Air Defense Command—80,000 (50,000 conscripts, 70,000 reserves); Paramilitary—439,000.

Total Regular Armed Forces: 445,000 (250,000 conscripts).

Without going the full distance, the Arab League in their November summit acknowledged the need for a return of Egypt into the fold. With the signing of the 1979 Camp David Peace Accords, all Arab countries save Somalia, Sudan, and Oman broke diplomatic ties with Egypt. The only countries to restore relations prior to the 1987 summit were Jordan, in September 1984, and Djibouti earlier this year. Though the Arab League did not reinstate Egypt's membership, it lifted the prohibition for member nations to have diplomatic ties with Cairo. Skillful maneuvering by Jordan's King Hussein helped to bring Syria into line with the more moderate Arab nations, thus clinching the vote on Egypt's behalf.

The summit's end saw the restoration of relations between Cairo and the United Arab Emirates, Kuwait, Morocco, and Iraq; with speculation that Bahrain, Qatar, and Saudi Arabia will soon follow suit. Many moderate Arab states see Egypt as the major

counterweight, militarily and demographically, to Iran's attempt to spread its Islamic revolution into other Arab states. Egyptian President Hosni Mubarak has striven mightily to heal old wounds without compromising the Camp David treaty.

Mubarak, recently re-elected to his second six-year term as president, faces many serious problems. Egypt's depressed economy is plagued by a \$40 billion debt and is mismanaged by an oversized and inept bureaucracy. All major sources of earnings declined for the second year. Tourism, once a major source of foreign exchange, dropped by 40 percent out of fear of terrorism. The same is true of revenues from Suez canal shipping. In addition, hydrocarbon revenues declined as did remittances from Egyptian workers serving abroad.

Once self-sufficient in food production, Egypt now must import more than 50 percent of its food because of antiquated production methods, improper use of its meager arable land and general bureaucratic mismanagement. American agricultural experts predict that, given proper management, Egypt's present arable land could yield up to 50 percent more crops. Mubarak, realizing that hard times lie ahead, recently concluded an agreement with international banking agencies to defer some \$8 billion in loan repayments and to receive a \$1.3 billion standby loan on the condition that stringent austerity measures are implemented.

Egypt is strongly dependent on the United States for its economic survival. It is the second largest recipient, after Israel, of both economic and military aid from Washington. With an agreement to allow Cairo to co-produce M-1 main battle tanks, the U.S. has given a boost to Egypt's fledgling arms manufacturing industry. The government has already started construction of a factory to refurbish M48 and M60 tanks and has contracted with an American firm to modernize and re-manufacture its large stock of Soviet T-series tanks. With its present arms-making capacity, and the potential of the tank projects, Egypt could become a major regional weapons supplier to African and Middle Eastern nations.

The 1.5 million unemployed or underprivileged Egyptians are looking to Mubarak's patience, sensibility and penchant for reform as the medicine needed to carry them through the predicted hard times ahead.

Sudan

Population: 23,500,000.

Government: Republic.

Head of Government: Prime Minister Sadiq el-Mahdi

GDP: \$8.00 billion.

Per Capita Income: \$300.

Defense Expenditures: \$440.00 million.

Armed Forces: Army—54,000; Navy—1,500; Air Force—3,000; Paramilitary—3,000.

Total Regular Armed Forces: 58,500.

For Sadiq el-Mahdi, Prime Minister of Sudan, the political honeymoon is over. Head of the first democratically elected government in 20 years, Mahdi has done relatively little to alleviate the problems he inherited. As leader of the largest nation in Africa, he still faces a failing economy, the persistent threat of widespread famine and a brutal civil war.

The gravest threat to this infant democracy is the civil war being waged in the southern region of the country. The strength of the insurgent Sudanese People's Liberation Army (SPLA), led by American-educated, former Army Colonel John Garand, has increased by 50 percent in the last nine months to total over 30,000 troops. The stated goal of the SPLA is equality and a certain amount of autonomy for the predominantly black Christian and Anamist south in a unified Sudan.

The SPLA, once supported by Libya, now receives much of its arms and monetary aid from communist Ethiopia. Though Garand has at times spouted socialist doctrine, Western diplomats and analysts believe the Ethiopian ties are more a marriage of convenience than an ideological bond. Ethiopia gains a buffer between itself and hostile Sudan while the SPLA gains a safe haven and a weapons supplier. The SPLA is considered too strong to be defeated yet not capable of overthrowing the government forces, and in this light the only possible solution seems to lie in a negotiated settlement.

Earlier in the year, discussions between SPLA and Khartoum broke off in the wake of the downing of a Sudanese passenger plane by the insurgents. Another hindrance to the resumption of talks was the senseless massacre of over 1,000 Dinka tribesmen, the dominant group of the SPLA, by a government armed tribal militia unit. The Mahdi government uses the tribal militia who fight in return for relief food, as a buffer between the armed forces and the rebels.

The misfortunes of war and famine, coupled with government apathy, have helped to deepen the travails of this already troubled economy. The war has cost the treasury \$500,000 a day, export earnings are negligible, and the \$12 billion debt has not been serviced since the early 1980's causing the International Monetary Fund to declare Sudan ineligible for further support.

Mahdi's inaction is seen to stem from a fear of alienating the Arab north where his support originates. Further delay in action could bring about Mahdi's downfall as Sudan's situation continues to deteriorate.

Ethiopia

Population: 42,555,000.

Government: Provisional military council.

Head of Government: Chairman Mengistu Haile Mariam

GDP: \$5.473 billion.

Per Capita Income: \$110.

Defense Expenditures: \$446.86 million.

Armed Forces: Army—313,000 includes 150,000 Peoples Militia; Navy—3,000; Air Force—4,000; Paramilitary—169,000.

Total Regular Armed Forces: 320,000.

In the ten years since he seized control by executing his fellow co-chairman of the ruling military council, Mengistu Haile Mariam has ruled Ethiopia in a style closely resembling that of Josef Stalin. Today the People's Democratic Republic of Ethiopia is controlled by the Communist Worker's Party of Ethiopia which chose as the new President, Lt. Col. Mengistu. The new constitution gives the president almost autocratic power which Mengistu has used to implement Stalinist policies, especially in agriculture.

United States agricultural experts report total crop failure in the northern province of Eritrea and a 75 percent loss in neighboring Tigre province. Famine in Ethiopia, ranked the world's poorest nation by the World Bank, is not only determined by nature but is a fact of war. In anticipation of this latest famine, relief agency planning helped to eliminate some of the problems incurred in the distribution of food in 1984, during a similar disaster. Then, in late October, an Eritrean rebel group ambushed a relief convoy carrying 450 tons of wheat to Tigre. That would have been enough to feed 40,000 people for a month. The rebels also burned 23 trucks worth some \$2 million, which comprised 40 percent of the United Nations trucking fleet in Ethiopia.

Whereas Ethiopia's primary problem is feeding its starving millions, Mengistu's top priority is the consolidation of his personal power. To date, Ethiopia has the largest standing armed force in Sub-Saharan Africa, with troop strength estimated at over 300,000 men. The army exists only through generous Soviet military funding—almost \$5 billion since the 1974 revolution. Training is provided by Soviet and East German advisors and is reinforced by 10,000 Cuban combat troops. Mengistu sees the need for such a large and well equipped force to combat three ongoing civil wars (in Eritrea, Tigre, and Ogaden), a border war with Somalia, and a low intensity conflict with Sudan.

Mengistu has been known to use food as a weapon to force people to resettle on collective farms, many of which closely resemble prison camps. A French aid group, Doctors Without Borders, claims that of 600,000 people resettled between 1984 and 1985, over 100,000 have died or been killed.

To encourage agricultural reform, the European Community, the World Bank, and the Swedish govern-

ment are withholding some \$400 million in loans and grants until improvements are made. It is believed by Western diplomats that these actions may only push Mengistu, who shows no sign of change, deeper into the Soviet sphere. In Ethiopia, a country plagued by war and famine, the future offers little hope.

Mozambique

Population: 13,126,000.

Government: Socialist one-party state.

Head of Government: President Joaquim Chissano

GDP: \$2.55 billion.

Per Capita Income: \$160.

Defense Expenditures: \$146.53 million.

Armed Forces: Army—30,000 (10,500 conscripts); Navy—700; Air Force—1,000; Paramilitary—9,500 border guards.

Total Regular Armed Forces: 31,700.

Twelve years of civil strife have left Mozambique's millions with nothing but hopelessness and despair. The economy is in shambles, indiscriminate destruction has reduced agricultural output to almost nothing and, unless sufficient emergency food aid is forthcoming, Western relief agencies predict as many as one third of the population could starve.

President Joaquim Chissano, himself an avowed Marxist, inherited the power and the problems of Mozambique when Samora Machel was killed in an October 1986 plane crash. Like Machel, Chissano has been unable to muster the strength to repel the right wing insurgency centered on Alfonso Dhlakama's Mozambique National Resistance (RENAMO). Despite more than \$1 billion in Soviet military assistance, the rag-tag army of Chissano's ruling Front for the Liberation of Mozambique (FRELIMO) is no match for RENAMO's 22,000 armed insurgents. The latter reportedly control 75 percent of the countryside. Yet RENAMO does not seem to possess the strength to defeat the government forces and end this war which has already claimed 100,000 lives and cost in excess of \$5 billion in damage.

Chissano's government has the support of some rather strange bedfellows indeed. His weapons come from the Soviet Union, his officers are trained by the British, while economic assistance, especially food aid, is supplied in great part by Great Britain and the United States. It is rather widely accepted that South Africa is the principal source of RENAMO's support and the Reagan and Thatcher administrations see in Chissano the opportunity to steer this black African nation away from Marxist orthodoxy (which isn't working) toward a more democratic life for his people.

For the time being, 14 million Mozambicans are suffering at the hands of the opposing forces with no prospects for an early peace nor much hope for enough to eat.

Chad

Population: 5,219,000.
Government: Republic.
Head of Government: President Hissene Habre
GDP: \$551.094 million.
Per Capita Income: \$88.
Defense Expenditures: \$48.66 million.
Armed Forces: Army—17,000; Air Force—200;
Paramilitary—5,700.
Total Regular Armed Forces: 17,200.

For President Hissene Habre, 1987 has been no less than a banner year. Chad, scarred by war and misfortune since its independence from France in 1960, has had a turn of fate. The previously warring factions in Chad have united behind Habre in a concerted effort to drive Libyan invaders from their soil. At one time there were eleven groups vying for power in this desert nation. Now, even the 3,000 or so rebels of former President Goukouni Oueddei, once allied with Libya, have joined forces with Habre; leaving Goukouni virtually alone in his dissent.

Just as Oueddei stands alone, Libya, in attacking Chad, stands humiliated. Outgunned Chadian forces tallied an impressive string of victories at Quadi Doum, Fada and Faya Largeau. The culmination of these three battles left about 3,000 Libyan troops killed and another 900 captured. At least \$500 million worth of Libyan equipment was either abandoned or destroyed. The Chadians, in early September, retook the mineral rich Aouzou Strip from which they launched a raid into Libyan territory. The attack centered on an air base at Maaten es Sarra 60 miles inside the Libyan border. The Chadian army claims to have killed over 1,700 troops and destroyed 26 aircraft and as many as 70 tanks in this attack alone. French intelligence officials estimate that the Chadians have killed over 9,000 Libyan troops since January 1987.

Since January, France has provided Chad with over \$70 million in direct aid and has 1,500 troops stationed in its former African colony. Western observers estimate France's overall investment in Chad to be close to \$250 million per year. The United States is another major contributor of military aid, having budgeted \$7 million in assistance for 1987. Congress tacked an additional \$25 million in small arms and military equipment onto the 1988 Defense Appropriations Bill. Even Iraq has helped by sending a weapons team to train the Chadians in the use of captured Libyan equipment, most of it of Soviet origin. The end of the year brought a commitment from the United States to supply Chad with Stinger anti-aircraft missiles.

The unification of previously warring opposition factions behind President Habre has been a great asset in his fight against Libya. With continued French and American support along with high troop morale, Chad's soldiers should be able to keep Libya in check during the coming year.

Zaire

Population: 34,635,000.
Government: Republic with strong presidential authority.
Head of Government: President Mobutu Sese Seko
GDP: \$2.88 billion.
Per Capita Income: \$170.
Defense Expenditures: \$45.28 million.
Armed Forces: Army—22,000; Navy—1,500 including 600 Marines; Air Force—2,500; Paramilitary—50,000.
Total Regular Armed Forces: 51,000 (includes 25,000 gendarmerie).

Zaire, the third largest country in Africa after Sudan and Algeria, has been under the firm control of President Mobutu Sese Seko since 1965, five years after the former Belgium Congo gained its independence. Mobutu has managed to insure political stability in an economically shaky country populated by 30 million people comprising more than 200 tribes speaking some 80 languages.

Zaire borders on nine other countries and therefore has seen its security tested many times in the past by externally based insurgents. Twice, in 1977 and 1978, rebels operating out of Angola attempted to form a separate state in the mineral rich Shaba province. Both incidents were quelled by French and Moroccan troops. In recent years, Mobutu has strengthened his army by having them trained by foreign advisors. This has helped to make the armed forces more professional and lessened chances of coup attempts originating in the army.

Mobutu maintains his political power, in part, by the constant reshuffling of his cabinet and by maintaining several competing intelligence services. Potential enemies are either bought off or exiled. Corruption runs rampant in the inept and unreliable bureaucracy and is a major contributing factor to Zaire's chaotic economic problems.

In the last four years, Mobutu's government has attempted various economic reforms, suggested by international banking agencies, to confront the \$6 billion foreign debt. Implementation of austerity measures has resulted in a turnaround of the economy and helped Zaire to obtain loans totaling \$307 million from the IMF and the World Bank.

Mobutu, pro-western and staunchly anti-communist, enjoys a strong relationship with the United States. President Reagan has asked Congress for \$60 million in aid for Zaire, the second highest in Sub-Saharan Africa.

At present, there are no major internal or external threats to Mobutu's political stability. With the continued implementation of economic reforms, Zaire should be able to recover from the economic chaos that has plagued the country in years past.

Angola

Population: 8,435,000.
Government: People's republic.
Head of Government: President Jose Eduardo dos Santos
GDP: \$4.04 billion.
Per Capita Income: \$500.
Defense Expenditures: \$1.094 billion.
Armed Forces: Army—49,500 (24,000 conscripts); Navy—1,500; Air Force—2,000; Paramilitary—65,900; Reserves—50,000.
Forces Abroad: 1,000.
Total Regular Armed Forces: 53,000 includes 10,000 guerrilla forces (24,000 conscripts).

For the last dozen years, Angola has been a place where East meets West in a battleground of ideologies. Since gaining independence from Portugal in 1975, this country has been in a constant state of civil war. The government, ruled by the Marxist-oriented Popular Movement for the Liberation of Angola (MPLA), has had continuous backing of the Soviet Union and the luxury of 35,000 Cuban troops to fight its battles. The opposition National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, is supported by South Africa with generous military aid from the United States.

President Jose dos Santos, leader of the MPLA, funds the war against UNITA with his only real hard currency export—oil. Petroleum accounts for over 90 percent of the country's export earnings, \$1.2 billion last year alone. Paradoxically, the oil in Angola is extracted by Chevron, an American company, while the vital oil installations are guarded by Cuban troops. Most of the oil revenue is used to pay the nearly \$1 billion annual Soviet military aid bill.

Another great paradox arises from United States policy toward Angola. For the past two years, the Reagan administration has provided Savimbi's UNITA forces \$15 million annually in military assistance to support their fight against the spread of Marxism. On the other hand, the U.S. Agency for International Development, last year, provided 12,000 tons of food aid for famine relief to the MPLA government and has pledged another 24,000 tons in the coming year.

On the war front, MPLA and Cuban troops led by Russian advisors launched their yearly drive to rout the UNITA guerrillas in September. As in 1985 and 1986, the government troops failed to break through the rebels' defense lines. Rebel leaders credit U.S.-provided Stinger anti-aircraft missiles for playing an important role in thwarting the government's advance. Realizing that his guerrillas lack the power to defeat the government forces so long as the Cubans are present, Savimbi proposes to continue the attack in the hope that dos Santos can be forced to accept a coalition with UNITA.

The war in Angola has reached a stalemate with neither side having any real chance at victory. The West

views Angola as a likely place to stop Soviet colonialism, yet that decision will undoubtedly come from the negotiating table, not the battlefield, and from the Angolan people, not from the superpowers.

South Africa

Population: 33,642,000.
Government: Parliamentary.
Head of Government: President Pieter Willem Botha
GDP: \$62.48 billion.
Per Capita Income: \$2,010.
Defense Expenditures: \$3.29 billion.
Armed Forces: Army—75,000 (146,000 reserves); Navy—9,000 including 900 marines (4,500 conscripts; 2,000 reserves); Air Force—13,000 (2,400 conscripts; 27,000 reserves); Medical Corps—8,000; Paramilitary—130,000 commandos, 20,000 air commandos, 55,000 South African police, 37,000 police reserves.
Total Regular Armed Forces: 97,000 includes 67,900 National Service.

It has been a little more than a year since the American Congress passed the Comprehensive Anti-Apartheid Act of 1986, placing economic sanctions on the South African government in an effort to bring about more rapid change. Trade with the U.S. dropped about 45 percent while European Community trade declined about one-third. Even so, the South African economy realized almost three percent growth last year. This growth is mainly attributed to the fact that Middle- and Far-East nations have picked up most of the slack in trading with Pretoria. Taiwan, for example, doubled the amount of trade it has with South Africa in 1987.

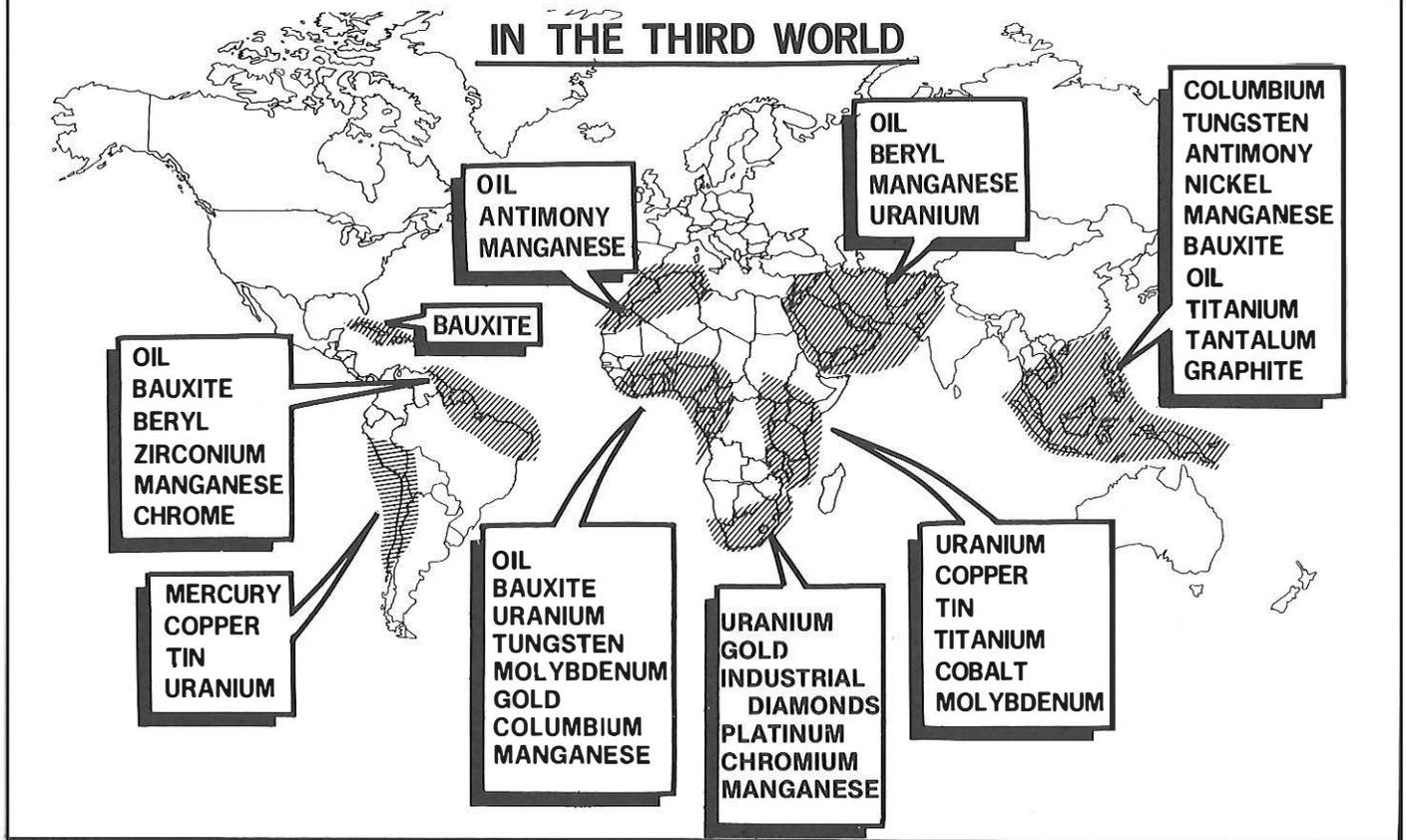
President P.W. Botha has had a difficult time attempting to apply a degree of liberalization to African society while simultaneously holding firmly to a policy of strong suppression of violence. Radical black leaders and moderate nationalists alike charged that his reforms were too little and too late, yet Afrikaners say those same reforms are to blame for the high level of violence.

To cope with the continued violence, centered mostly in the black townships, Botha saw the necessity of extending a year-long state of emergency. Even that was insufficient to prevent 2,500 deaths which were blamed on attacks against black policemen, town administrators and others with connections to Pretoria's white government.

America-bashing became a popular sport during parliamentary elections in May with conservatives putting the full weight of the sanctions on Washington. With anti-sanction sentiment as their rallying cry, the Conservative Party, for the first time, replaced the liberal Progressive Federal Party as the main opposition in the newly elected parliament, and thus helped to solidify apartheid by moving parliament even further to the right.

—RAW MATERIALS—

• IN THIS HIGHLY TURBULENT WORLD THE ECONOMIES OF BOTH DEVELOPED & DEVELOPING NATIONS DEPEND ON CERTAIN RAW MATERIALS, OF WHICH A VERY HIGH PROPORTION ARE FOUND ...



Zimbabwe

Population: 8,981,000.

Government: Parliamentary democracy.

Head of Government: Prime Minister Robert G. Mugabe

GDP: \$5.60 billion.

Per Capita Income: \$680.

Defense Expenditures: \$389.62 million.

Armed Forces: Army—46,000; Air Force—1,000; Paramilitary—76,000.

Forces Abroad: 6,000-12,000 (Mozambique).

Total Regular Armed Forces: 47,000.

For Robert Mugabe, who was Prime Minister of Zimbabwe until December 31, 1987, it has been a year of many delights. An avowed Marxist, he has furthered the realization of his dream of a one-party authoritarian state by amending the constitution, increasing his executive power and installing himself in the position of Executive President.

The year also saw a closing of the ranks between Mugabe and former rival Joshua Nkomo, thus increasing the former's power base and helping the cause of socialism. Nkomo's Zimbabwe African People's Union

(ZAPU) helped to end years of confrontation when he merged with Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF).

In the past Mugabe has been rather reluctant to interfere with one of the few strong economies in Sub-Saharan Africa. His implementation of orthodox socialist and Marxist policies could shatter the solid economic underpinnings he inherited with Zimbabwe's independence in 1980.

The agricultural sector of the economy is one of only a few in Black-Africa to meet its subsistence needs and also produce a surplus for export. Such cash crops as tobacco and cotton account for over 20 percent of present export earnings. Even in the face of the worst drought in 40 years, Zimbabwe does not require foreign assistance for it has stockpiled over two million tons of corn. This reserve will provide for domestic consumption for at least two years.

The coming year could find Mugabe caught between the reality of success of a free market economy and the rhetoric of Marxist ideology. Zimbabwe has only to look next door to the basketcase that is Mozambique to see the dismal failure of Marxist policy on a young African nation.

THE MIDDLE EAST

Lebanon

Population: 2,674,000 (1986 estimate).

Government: Nominally a republic.

Head of Government: President Amin Gemayel

GNP: \$3.0 billion (1983 estimate).

Per Capita Income: \$1,150.00 (1983 estimate).

Defense Expenditures: \$1.00 million.

Armed Forces: Since the collapse of the Lebanese National Army in 1984, there is no longer any reliable estimate of the strength, composition or weaponry of the remaining elements, each of which is now allied with one or more of the dozen or so militias operating in the country.

Nearly 13 years of bloody civil war have left Lebanon a ruin—militarily, politically, economically and morally. In the capital of Beirut alone, there are so many internecine conflicts and such a number of protagonists that it is nearly impossible to tell who is killing who on a given day. At times, Shiite Amal militiamen have attacked Druze militias or fighters of the pro-Soviet Lebanese Communist Party, or both: Palestinian refugee camps have borne the brunt of Christian Maronite or Phalange brutality; Israeli soldiers have been killed by Palestinian terrorists; and Syrian soldiers have killed and been killed in an effort to restore order in Lebanon.

In one week in February, more than 200 people died and some 400 others were wounded during fighting for control of Muslim West Beirut's commercial district. As the killing in the name of religion continues, so does the taking for profit of foreign hostages.

According to *The Economist*, there have been 92 kidnappings in Lebanon since January 1984, 19 of whom were Americans. The captors have since released 56, and are believed to have killed 11. Seven hostages managed to escape, leaving 18 still held by terrorists.

Early this year, Syrian President Hafez Assad sent 7,000 of his soldiers along with hundreds of tanks and armored personnel carriers, into West Beirut in an attempt to impose order there. Another 20,000 Syrians had the same mission in areas of eastern Lebanon—an effort that had frustrated American, French, Israeli and other Syrian troops over the past dozen years.

In seeking a political settlement in Lebanon, Assad also hopes to raise his prestige in the Arab world while simultaneously scoring points in the West. Otherwise, he could be obliged to continue policing a bloody civil war indefinitely. Pax Syria has constantly been challenged, either by the various armed militias or by the hostage takers, as was the case in the abduction of American journalist Charles Glass just a few hundred yards from a Syrian army checkpoint.

Nor can Assad call on the government of Lebanon for assistance in restoring stability. Lebanon's Christian

President, Amin Gemayel, has found it all but impossible to form a new government in the wake of the June 1 assassination of Prime Minister Rasid Karami. Further, Muslim politicians have boycotted all dealings with Gemayel, who has repeatedly rejected their demands for a larger share of power in a nation that has been controlled for over 40 years by the Christian minority.

With everyone fighting furiously against everyone else in the name of peace, the powderkeg that is Lebanon could explode at any moment. With its government near collapse, its economy shattered and its people dispirited, Lebanon has little to offer other than uncertainty and despair.

Syria

Population: 11,250,000.

Government: Socialist.

Head of Government: President Hafez al-Assad

GDP: \$20.51 billion.

Per Capita Income: \$1,570.

Defense Expenditures: \$3.95 billion.

Armed Forces: Army—300,000 (130,000 conscripts, 270,000 reserves); Navy—2,500 (2,500 reserves); Air Force—45,000; Air Defense Command—60,000; Paramilitary—14,300.

Forces Abroad: 12,500 (Lebanon).

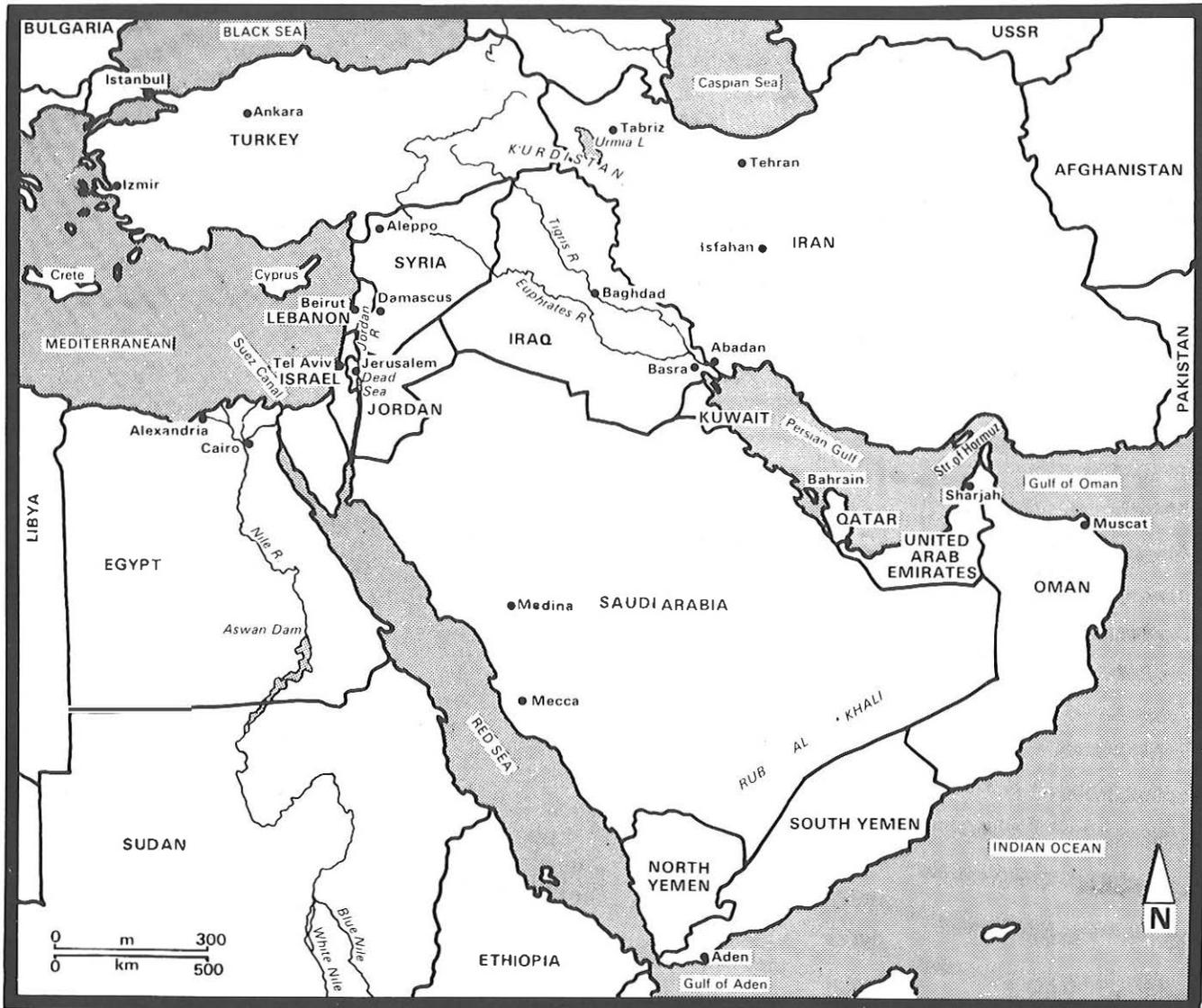
Total Regular Armed Forces: 407,500.

Diplomatically, this was a heady year for Syrian President Hafez Assad as he attempted in many ways to wend his way back into the good graces of the Western World. Along the way he even managed to return to the Arab fold after so many years as an outcast because of his support for non-Arab Iran.

With the United States out of Lebanon, and with the Lebanese government and army all but useless, Syria has assumed primacy for the civil war there. In 1987 Assad found it necessary to dispatch more of his troops, particularly to anarchic West Beirut when it appeared the resurgent PLO forces of his old enemy Yasir Arafat might be getting out of hand. In addition, Syrians in Lebanon had their hands full coping with extremist Shiite groups intent upon leading Lebanon further down the path toward radicalism. Assad's mission was not made any easier by the Ayatollah's Iranian Revolutionary Guards who, incidentally, were brought to Lebanon by Assad in 1982 to fight Israelis, and who are now believed to hold nearly two dozen Western hostages in Beirut's southern suburbs. Sadly, Assad was unable to bring Lebanon's civil war any closer to settlement than were the U.S. and Israel before him.

Assad's reconciliation with Iraq's Saddam Hussein at the November Arab summit brought to an end a long running feud between the two principal rivals for leadership of the region's socialist Baath movement. Beyond their personal animosity, the rapprochement may have opened the way for a united Arab front to pressure Iran

MIDDLE EAST



to observe the United Nations' call for a cease-fire in the Gulf war. Prior to this, Assad had been the Ayatollah's only Arab ally.

Syria joined the other Arab League nations in voicing its indignation at Iran's intransigence in refusing to negotiate an end to the war with Iraq, although Assad stopped short of severing his alliance with Teheran. One reason for this could be Assad's reluctance to forgo millions of tons of free and subsidized oil Iran provides Syria for its support. It could be that impoverished Syria won't completely abandon Iran, but will soft-pedal support in return for some hefty subsidies from Saudi Arabia and some of the other oil-rich sheikdoms along the Persian Gulf.

Another diplomatic accomplishment in Syria's favor was the improvement of ties with the Reagan administration, a move which ended nearly a year of diplomatic separation. The estrangement began when it

was established that Syrians were involved in an attempt to bomb an Israeli air liner in London and in the actual bombing of a West German discotheque where an American soldier died.

A key factor in the return of the American Ambassador to Damascus and the lifting of sanctions against American oil firms working in Syria, is said to be Syria's ouster of the Abu Nidal terrorist group believed responsible for some of the bloodiest terrorist attacks in recent years.

At home, Assad appears to have quieted much of the open warfare among the various armies of his would-be successors, but he has been unable to overcome Syria's dire economic condition. By rejoining his Arab brothers, yet still retaining some ties with Iran, and by ending the temporary separation with the United States, Assad seems assured that the rent will continue to be paid on the palace in Damascus.

Israel

Population: 4,450,000.

Government: Parliamentary democracy.

Head of Government: Prime Minister Yitzhak Shamir

GDP: \$22.16 billion.

Per Capita Income: \$4,990.

Defense Expenditures: \$5.11 billion.

Armed Forces: Army—104,000 (88,000 conscripts, 598,000 on mobilization, 494,000 reserves); Navy—9,000 (3,300 conscripts, 10,000 on mobilization, 1,000 reserves); Air Force—28,000 (19,000 conscripts, 37,000 on mobilization, 9,000 reserves); Paramilitary—4,500 Border guards.

Forces Abroad: 1,500.

Total Regular Armed Forces: 141,000 (110,000 conscripts).

Israel's government of national unity barely survived its first year of transition with Yitzhak Shamir as Prime Minister and his conservative Likud Party holding the reins of power. Shamir's first year was marked by indecision and scandal and by violent protests in the Israeli occupied territories of Gaza and the West Bank.

In late spring the coalition which runs the government nearly collapsed because of infighting related to the composition of a proposed international Middle East peace conference. During his tenure as Prime Minister, Shimon Peres, now Foreign Minister, supported Israeli participation in negotiations with Jordan, Syria, Egypt and the five permanent members of the United Nations Security Council.

Now that he is Prime Minister, Shamir opposes Israel's attendance because of the unwillingness of the Palestinians to recognize Israel's right to exist. Israeli conservatives also firmly oppose any peace settlement that would force them to give up territories gained in the 1967 Six-Day War—land which they consider vital to state security.

In the international arena, Israel renewed low-level diplomatic relations with Hungary and Poland and responded favorably to overtures made in their direction by the Soviet Union. The Soviet renewal of direct contact with Israel was the first since relations were severed nearly 20 years ago.

When it was first disclosed that Jonathan Pollard, an American Jew, had been recruited by the Israeli intelligence apparatus to spy on the United States, it aroused the ire of many in Washington and embarrassed the government of Israel. Pollard was later convicted of treason, but the case caused a great deal of friction, especially among the many Americans who reacted with shock at the prospect of a close ally undermining U.S. national security.

In December there were violent protests on the part of thousands of youths in defiance of the Israeli occupation of the West Bank and the Gaza Strip. Israel's continued practice of deporting any Palestinian they con-

sider troublesome has stirred a period of rioting on the Israeli occupied territories that has landed more than 1,000 Palestinians in jail and at least two dozen dead. Palestinian youths armed with slingshots, iron bars and fire bombs were no match for Israeli soldiers whose extreme use of force prompted worldwide indignation and condemnation of Israel. The violence continued into the first weeks of 1988 with young Arabs desperately throwing themselves at armed Israeli soldiers and the occupation troops meeting each protest with the force of an iron fist.

Jordan

Population: 2,762,000 (excludes West Bank).

Government: Constitutional monarchy.

Head of Government: King Hussein I

GDP: \$4.10 billion.

Per Capita Income: \$1,560.

Defense Expenditures: \$830.13 million.

Armed Forces: Army—70,000 (30,000 reserves); Navy—300 (Coast Guard); Air Force—10,000; Paramilitary—6,000. Reserves: 35,000 (all services).

Total Regular Armed Forces: 80,300.

Life in Jordan has changed since the collapse of King Hussein's four-year effort to convene a Middle East peace conference that would include representation by the Palestine Liberation Organization (PLO). The demise of the negotiating agreement between Jordan and the PLO also brought to an end the close relations Hussein and PLO leader Yasir Arafat had enjoyed.

Hussein blamed Arafat for the failure, charging him with not living up to his promise to recognize Israel in accord with U.N. Resolution 242. That had been a major precondition for the inclusion of the PLO at the peace conference. Without that recognition, the U.S. and Israel refused to accept the PLO on the negotiating team. Similarly, Jordan and the PLO would not accept non-PLO Palestinian negotiators as Israel insisted.

The Hussein-Arafat split ended, for the time being, Arafat's principal connection to the international arena. Likewise, it helped weaken Jordan's image in the Arab world, reduced Hussein's influence in the occupied territories, and nullified his chances of obtaining much desired U.S. arms in exchange for paving the way toward a peace settlement.

Once the break was made, Hussein launched a persistent campaign to discredit Arafat and his Fatah wing of the PLO. He closed Fatah offices in Jordan and expelled a number of Arafat's lieutenants. Hussein then tried to woo West Bank Palestinians away from Fatah and Arafat, being careful not to condemn the PLO itself.

Hussein's attempts to win the hearts and minds of Palestinians on the West Bank accomplished little, as evidenced by a recent poll conducted there by Newsday and others, which found that only three percent of the

people considered King Hussein as their leader. In the same poll, 93 percent regarded the PLO as the representative of the Palestinian people.

Hussein cannot afford to give up completely on the Palestinians, yet his prospects of ever making measurable progress with them are both disconcerting and discouraging.

Iran

Population: 49,900,000 (not including war losses).

Government: Islamic republic.

Head of Government: Ayatollah Ruhollah Khomeini

GDP: \$147.04 billion.

Per Capita Income: \$2,160 (1977 estimate).

Defense Expenditures: \$6.11 billion.

Armed Forces: Army—305,000 (250,000 conscripts, 350,000 ex-service volunteer reserves); Navy—14,500 including naval air and marines; Air Force—35,000; Paramilitary—105,700; Revolutionary Guard Corps: 300,000.

Forces Abroad: 1,000 Revolutionary Guards.

Total Regular Armed Forces: 654,500.

There were times during 1987 when growing international involvement in the tanker war on the waters of the Persian Gulf completely overshadowed the continued escalation of bloody hostilities upon the killing grounds of the Iran-Iraq War. Yet it was on the battlefields near Kurdistan and Basra, and in the capitals of Baghdad and Teheran that the destruction of human lives and property was most severe and agonizing.

Along the northern portion of the border between the two belligerents, lightly armed teenage and pre-teen volunteers were again used to clear paths through minefields and barbed wire so that older and better armed Iranian Revolutionary Guards could attack Iraqi border towns and military defenses. Throughout the year, fighter bombers and long-range rockets were employed by both sides to wreak havoc upon their opponents' capitals and other major civilian targets.

Even as this report was being printed, a quarter of a million Iranians were digging in east of Iraq's second largest city, Basra. They were expected to launch a major new offensive against Iraq similar to one that began in December 1986. That attack lasted nearly two months, and resulted in more than 100,000 casualties on both sides. Arab and Western diplomats have been quoted in the press as anticipating another bloody clash at Basra, likely to involve more than a million combatants. That being the case, it is possible that the land battle could decide whether Iran wins the war.

Attacks against merchant shipping in the Persian Gulf began as early as 1984, but international involvement there escalated only as the frequency of such attacks increased this year. Iraqi planes aimed to choke off Iran's oil exports, the source of 90 percent of Teheran's war financing. The Iranian pilots targeted Kuwaiti ports and shipping in an effort to prevent their

use as Iraq's major military supply line. Kuwait's pleas for protection led to the involvement of American, Soviet and numerous other nations' warships in the Gulf war, both as escorts and for mine-clearing operations.

With a network of at least 33 arms producing nations as a supply source, Iran has had little difficulty replenishing its ammunition stocks and replacing weapons lost in the last year's "final offensive." Iran has purchased at least \$6 billion worth of armaments since 1981 and so long as the oil money holds out it is expected to be able to meet all its requirements. The U.S.-encouraged arms embargo against Iran wasn't helped by the abortive arms-for-hostages deal aired in the Iran-Contra hearings in Washington.

The Iraq-Iran war became an Arab-Iran war in November when, at the Arab League summit meeting in Amman, Jordan, the members condemned non-Arab Iran for having occupied Arab territory and for its failure to accept United Nations Security Council Resolution 598. That resolution calls for a cease-fire and withdrawal of the armies of both sides to within their own borders. Even Khomeini's only Arab ally, Syria, was persuaded to return to the Arab fold and to endorse the communique.

Iraq had indicated acceptance of the U.N. Resolution. However, the massive buildup of Iranian forces near Basra and the continued attacks in the Gulf would seem to indicate that the Ayatollah does not intend to respond to cease-fire demands except on his own terms.

Iraq

Population: 15,900,000.

Government: Ruling council.

Head of Government: President Saddam Hussein
At-Takriti

GDP: \$17.69 billion.

Per Capita Income: \$2,410 (1981 estimate).

Defense Expenditures: \$11.58 billion.

Armed Forces: Army—955,000 (480,000 active reserves); Navy—5,000; Air Force—40,000; Paramilitary—654,800.

Total Regular Armed Forces: 1,000,000.

The war in the Persian Gulf region goes on and on with no prospect for victory by either side. And, despite continuing efforts by the United Nations, the Arab League and a host of international and regional peace brokers, there has been practically no movement toward a peaceful settlement.

Foremost among those seeking to devise an acceptable formula for an end to the Iran-Iraq war is United Nations Secretary General Javier Perez de Cuellar. His efforts center around getting the two belligerents to back off their conflicting positions on the Security Council's Resolution 598. Iraqi President Saddam Hussein insists that there be a cease-fire prior to negotiations. Iran demands that Hussein be branded the ag-

gressor and agree to pay reparations before there can be a cease-fire. Perez de Cuellar's inability to move either party off dead center has convinced him to postpone the cease-fire effort and turn his attention towards another proposal, one that would impose an arms embargo on Iran. That matter was pending at the turn of the year.

Iraqi hopes for an end to eight years of bloody conflict were somewhat buoyed with the Arab League's November communique criticizing Iran for its failure to adhere to the United Nations resolution. Additionally, the six-state Gulf Cooperation Council, in a late December agreement, sought U.N. Security Council sanctions against Iran for refusal to accept a cease-fire.

Even Hussein's long-time enemy and rival for leadership of the region's socialist Baath movement, Syrian President Hafez Assad, was willing to patch their quarrel and join in chastising Iran for its intransigence. Yet, despite all the diplomatic efforts to conclude the war that has now replaced the Arab-Israeli conflict as the Middle East's No. 1 problem, all signs point to an intensification of hostilities.

Less than 24 hours after Perez de Cuellar departed Baghdad on his last peace mission, Iraqi warplanes launched a string of attacks against the Iranian oil terminal at Kharg Island and against tankers carrying Iranian oil through the Persian Gulf. Iran responded by attacking Kuwaiti port facilities, which carry the bulk of Iraq's war materials. On land, Iraqi defense forces around the city of Basra are again bracing for another of Khomeini's "final offensives."

Outnumbered four to one and with no prospect of a military victory, Saddam Hussein desperately needs to find a way out of the war he started in 1980. Iraqi deaths caused by the war are variously estimated between 100,000 and half a million. Hussein's treasury has been bled dry and his people are becoming increasingly weary of constant shortages and of the threats posed by Iranian warplanes and long-range rockets. Yet, somewhere beneath the feeling that "Saddam's war," as Iraqis call it, is unwinnable, there seems to be the belief that the world will not permit them to lose it either.

Saudi Arabia

Population: 11,500,000.

Government: Monarchy with council of ministers.

Head of Government: King Fahd

GDP: \$82.44 billion.

Per Capita Income: \$8,850.

Defense Expenditures: \$16.23 billion.

Armed Forces: Army—45,000; Navy—3,500 including 1,500 marines; Air Force—15,000; Paramilitary—58,500.

Total Regular Armed Forces: 73,500+ including 10,000 National Guard.

The past year has been a diplomatic roller coaster for Saudi Arabians as they scrambled to protect themselves from an ever widening Persian Gulf crisis. The Iran-

Iraq war has been at the forefront of King Fahd's diplomatic and foreign policy considerations since it started. Long a bulwark of stability in this volatile region, Saudi Arabia has now become an ever more cautious player in the Middle Eastern theatre.

Relations with Ayatollah Khomeini's Iran were severely strained in the wake of the Mecca riots, which took place during the hajj (a yearly Islamic holy pilgrimage to Mecca). More than 400 pilgrims died in violence instigated by radical Iranian fundamentalists in an effort to subvert Saudi Arabia for supporting Iraq in the gulf war. King Fahd gained international and Arab world support for his condemnation of Iran over this incident.

Khomeini's Islamic fundamentalists have long tried to provoke Saudi Arabia's shiite minority into open revolt against the royal family. To counter this, Fahd and his predecessors have been careful to facilitate their needs with the construction of schools, roads, hospitals, and housing. Even with the loss in revenues caused by the world oil glut, Saudi Arabia draws from its vast foreign currency reserves to continue its modernization programs.

When the loss of oil revenues forced King Fahd to drastically pare down the \$200 million a month support for the Iraqi war effort, he employed all available diplomatic skills to isolate Iran during the November Arab League summit. At the summit, the Saudis joined with Jordan in a successful push for renewed ties with Egypt, broken off in 1979 after the Camp David Peace Accords.

Relations with the United States soured somewhat in June when Congress opposed an arms sale package to Saudi Arabia. The sale of U.S. weapons to Iran had evidently made some Arab countries including Saudi Arabians leery of American motives in the Persian Gulf. Saudi reluctance to intercept an Iraqi jet that attacked the U.S.S. Stark increased tensions in an already strained relationship and prompted Congress to oppose the arms sale. Washington-Rigadh relations improved later in the year when the Saudis agreed to assist American escort/mine clearing operations in the Persian Gulf.

The future of Fahd's ruling House of Saud may be determined in large part by the ability of Khomeini to foment Islamic revolution among the 11 million Sunni Muslims in Saudi Arabia. To counter the radical fundamentalist's drive, King Fahd will be forced to call on all his diplomatic skills and economic clout with increasing frequency in the coming years.

ASIA AND THE PACIFIC

Japan

Population: 122,090,000.
Government: Parliamentary democracy.
Head of Government: Prime Minister Noboru Takeshita
GDP: \$1.429 trillion.
Per Capita Income: \$11,300.
Defense Expenditures: \$24.00 billion.
Armed Forces: Army—156,000 (44,000 reserves); Navy—45,000 (including 12,000 naval air arm, 600 reserves); Air Force—45,000 (300 reserves); Paramilitary—20,000.
Total Regular Armed Forces: 246,000.

In 1987, Japanese relations with the Soviet Union, which have never been warm, took on the appearance of a hard frost. To begin with, Moscow made it clear that the return to Japan of the Northern islands seized at the end of World War II was a closed issue. Then, the Soviet expulsion of a Japanese businessman and a naval attache, for alleged spying activities, dashed any hopes the former might have held for the possible importation of scientific or technological developments from Japan.

In addition to these obstacles to improved Russo-Japanese ties, Toyko's relationships with two other Northeast Asian neighbors could also stand some improvement. The ouster of China's Communist Party Chief Hu Yaobang for advocating such liberal policies as improved relations with Japan, fueled growing ill-feelings between the two nations. At the same time, there is a detectable hostility at the grassroots level between Japan and the Republic of Korea. This, despite the many pledges by leaders of the two countries to improve their association.

United States-Japanese relationships continue to be marked by paradox. There is a firm recognition in the U.S. that our ties with Japan are our most important bilateral association and it is taking on added significance with each passing day. Unfortunately, trade tensions between the United States and Japan are beginning to strain political and military ties. The current trade imbalance approximates \$57 billion per year in Japan's favor, and, despite threats from the Reagan administration and Congress, there has been little substantive response by the Japanese to reduce that imbalance.

In security matters, however, Japan continues to move in concert with the United States. This year, the Japanese Defense Agency, underscoring the Soviet threat, asked the Diet for an immediate increase in defense funding for the acquisition of an advanced early-warning aircraft, advanced radar systems, and tankers for air-refueling a new fighter aircraft.

In November, Prime Minister Yasuhiro Nakasone stepped down, thus ending the term of the most domestically popular and internationally respected Japanese leader of the post-WWII era. His successor,

Noboru Takeshita, a 63-year-old soft-spoken professional politician, immediately pledged to continue Nakasone's policies. Takeshita, from a rural western area of Japan, has little experience in foreign affairs, but is considered extremely effective in developing a behind-the-scenes consensus.

A number of Japanese politicians believe that Nakasone could be back in a couple of years, since it was he who redefined the job of Prime Minister, and they fear that Takeshita, lacking his predecessor's dynamism, may return to the "forgettable" sort of government Japan has had in the past.

North Korea

Population: 21,153,000.
Government: Communist dictatorship.
Head of Government: President Kim Il Sung
GDP: \$42.45 billion.
Per Capita Income: \$570.
Defense Expenditures: \$4.45 billion.
Armed Forces: Army—750,000 (500,000 reserves); Navy—35,000 (40,000 reserves); Air Force—53,000; Paramilitary—738,000; Reserves: 5,000,000.
Forces Abroad: 1,450.
Total Regular Armed Forces: 838,000.

Financial problems and continued diplomatic isolation combined to make the year of the Rabbit a catastrophe for Kim Il Sung and his people.

Since the early 1970's, when the North Korean regime borrowed approximately \$770 million from syndicates representing 140 banks, it has paid nothing on the principal and for the last three years has paid no interest. Finally, in mid-year, Kim's regime was declared to be in default causing even China and the Soviet Union to delay oil shipments for lack of payments.

Yet, despite its many economic problems, North Korea again allocated an estimated 25 percent of its budget to the military in 1987. In terms of the North/South balance, Kim Il Sung has moved 65 percent of his combat power to within a few hours of the demilitarized zone which divides the two nations. As a result, warning time for an attack against the Republic of Korea and its ally, the United States, has been drastically reduced.

Throughout the year, North Korea's involvement with the Olympic games was center stage. At issue is the number of events Pyongyang will host, if any. North Koreans have made some very unrealistic demands accompanied by the threat to boycott the Olympics and take at least some of the Eastern bloc with them should they not get their way.

For the present, it appears that Pyongyang may stand alone in any Olympic boycott, a situation which could lead to military adventures in an effort to disrupt the games in Seoul. There is still time for a decision by North Korea to host several events, but the prospects don't look good.

This was also the year in which the ever-volatile politics of the Republic of Korea culminated in a "political miracle." The year started badly for President Chun Doo Hwan when a college student died after being tortured by the police. This incident changed the national political landscape and, like the Kwangju riots in 1980, served as a rallying cry for the students who promptly took to the streets. Meanwhile, the opposition was also having problems as leading politicians Kim Dae Jung and Kim Young Sam broke away from the main opposition party and formed their own group — the Reunification and Democracy Party. In April, President Chun used this confusion in the opposition's ranks to postpone consideration of revising the constitution until after the Olympics. That proved to be a major mistake in that it dashed the hopes of many that Korea was moving toward a truly democratic system.

Finally, the appointment of Roh Tae Woo as the ruling Democratic Justice Party candidate for the upcoming presidential election touched off 18 days of the most violent rioting the country had seen since 1980. This time students were joined in the streets by middle class workers, clergy and many other respected members of society. The resulting strife forced Roh Tae Woo to develop an eight-point democratization package, including a revised constitution, which was promptly approved by the National Assembly and accepted by 93 percent of the people in a nationwide referendum.

There followed an intense election campaign, again marked by violent demonstrations, in which the majority party of Roh Tae Woo was elected. With almost 90 percent of the eligible voters casting ballots, Roh received 36.7 percent of the vote, Kim Young Sam 25.7 percent, Kim Dae Jung 26.1 percent and Kim Jong Pil eight percent. This translated into a two-million-vote margin in Roh's favor, thus ending what many called the "political miracle of 1987."

The economic miracle also continued in 1987 with the figures expected to closely follow the numbers in 1986, including 12 percent real growth, a surplus of about \$4.5 billion, and a trade surplus with the United States which grew sixty percent in 1986, to about \$7 billion. That, naturally, is a source of dismay to the Administration and Congress in Washington.

For the South Koreans, 1987 was a banner year, yet the upcoming Olympics, the actual replacement of President Chun, and the continued delicate balance of power in the region, all argue for another exciting year in the land of the morning calm.

People's Republic of China

Population: 1,078,765,000.

Government: Communist peoples republic.

Head of Government: Premier Zhao Ziyang

GDP: \$543.73 billion.

Per Capita Income: \$566.

Defense Expenditures: \$5.47 billion.

Armed Forces: Army—2,300,000 (1,075,000 conscripts, 1,800,000 reserves); Navy—340,000 (115,000 conscripts, 115,000 reserves); Air Force—470,000 (160,000 conscripts, 200,000 reserves); Strategic Rocket Units—90,000; Paramilitary—12,000,000.

Total Regular Armed Forces: 3,200,000 (1,350,000 conscripts).

In March, the respected *Far Eastern Economic Review* stated that 1987 was to be a year of decision in terms of which elements of China's Communist Party would control the future of the middle kingdom. The debate which led to that decision raged through the year between Deng Xiaoping's reformists and old line conservatives led by Chen Yun.

Since 1979, Deng Xiaoping and his party liberals had conducted a campaign to extend the bounds of cultural freedom and free speech and to bring China into the 20th century. Their opposition consisted of orthodox conservatives who did not share Deng's vision of reform in China, yet were unable to stem the tide of the reform policies of he and his personally-selected Party General Secretary Hu Yaobang. Dissatisfaction with the slow pace of reform sparked student demonstrations in Shanghai and other cities during December 1986. This loss of control aroused the Leninists to a campaign against "bourgeois liberalism," eventually forcing the resignation of Hu Yaobang and setting off an intense struggle between reformists and conservatives within the Communist Party.

The political contention continued as both sides pointed toward the 13th National Congress of the Communist Party in October. Many felt that Deng Xiaoping had lost control and suggested that many of the changes, including those in the economic sector, were in jeopardy of being overturned with a return to the Marxist/Mao way of doing business.

At the 13th National Congress, Deng did step aside as China's top leader while retaining his chairmanship of the Military Commission. Zhao Ziyang was confirmed as his successor and, at 68, will be the first leader of Communist China who is not a member of the founding revolutionary generation and did not participate in the 1930s' Long March. The final makeup of the Politburo, the Central Committee and the Party Secretariat being evenly divided means Deng will remain as "chief architect of overall policy," according to an official spokesman. Thus, Deng has helped insure the continuation of his reform plans. More significantly, he has outperformed every other communist in history by arranging a rational succession.

The People's Liberation Army (PLA), which in China includes the naval and air forces, for the first time remained aloof from the political campaigns. Deng's retention of the top military post gives him added leverage in his planned campaign to depoliticize the PLA. Similarly, the military's political power is further reduced in the new Politburo—only two military are retained therein.

Sino-U.S. relations remained firm during 1987. Trade between the U.S. and China continued at a brisk pace and again far outdistanced Sino-Soviet trade. Although Deng's reformists seem to be in control, the resurgence of more orthodox Marxist forces in the government could have an impact on Sino-U.S. relations since the conservatives view the U.S. as the fountainhead of bourgeois liberalization.

In addition to improving its relations with the United States, the Chinese made several moves that could bode well for improved Sino-Soviet relations. Progress was reported from several meetings held to discuss problems in the vicinity of the two nations' mutual border and two Sino-Soviet Economic Commission meetings held out the hope for future trade between them.

China's new Communist Party Chief, Zhao Ziyang, must carry the many burdens associated with continued modernization in the world's most populous nation. The path to the future has been somewhat smoothed by Deng in getting the army out of politics and permitting a limited degree of institutional pluralism. Deng should also be credited with introducing some civility into politics and with breathing new life into a dying economy.

It now falls to Zhao to assure 1.05 billion Chinese that their hopes for a freer and more prosperous life will not be crushed by the forms of repression they have seen in the past.

Taiwan

Population: 20,352,000.

Government: Republic

Head of Government: President Lee Teng-hui

GNP: \$62.7 billion.

Per Capita Income: \$3,000 (1984 estimate).

Defense Expenditures: \$5.66 billion.

Armed Forces: Army—270,000 (1,457,000 reserves); Navy—38,000 (32,500 reserves); Marines—39,000 (35,000 reserves); Air Force—77,000 (90,000 reserves).

Total Regular Armed Forces: 424,000 (1,300,000 have some reserve obligation).

For some 20 million people living on the West Virginia-sized island of Taiwan, 1987 will long be remembered as the year of liberalization. In almost every sector of activity, controls which had been in effect since the Nationalists fled the China mainland 38 years ago were loosened. The undisputed centerpiece occurred on July 14 when President Chiang Ching-kuo, the 77-year-old ailing son of the late Generalissimo

Chiang Kai-Shek, declared an end to martial law and, in one stroke, accomplished the most significant reforms even taken by the ruling Nationalist Party, or Kuomintang.

In acknowledgment of the people's desire for a more open, democratic society, Chiang allowed the formation of a small opposition political party and even relaxed the 40-year restriction against Taiwan-mainland China contacts. Hundreds of thousands of Taiwan residents immediately took advantage of the opportunity to visit their mainland families.

Chiang Ching-kuo died of a heart attack on January 13, 1988, ending nearly four decades of family rule in which the Koumintang controlled the island nation and led it to prosperity. Vice President Lee Teng-hui, 64, was immediately sworn in, becoming the first native of Taiwan to become President, despite the fact that native Taiwanese comprise 84 percent of the island's population.

Lee inherited a booming economy which, during the past 15 years, has been a miracle of economic growth. Today, it is among the most economically viable states in the Pacific area with an average annual growth rate of more than nine percent over the past two decades. Estimates for 1987 show gross domestic product (GDP) per person at almost \$5000—trailing only Japan, Hong Kong and Singapore. Last year, Taiwan showed a trade surplus of about \$19 billion and total foreign exchange reserves of about \$75 billion.

Taiwan's leaders commit enormous amounts of these financial resources to meet what they perceive to be the primary external military threat—The People's Republic of China, mainland China in their parlance. The \$4.2 billion 1986/1987 defense budget accounts for 35 percent of all government spending and 8.2 percent of the GDP. The objective in spending such comparatively large amounts for defense reflects Taiwan's dedication to eventual reunification with China.

Although the United States came to a formal accommodation with the People's Republic of China in 1979, Taiwan and the U.S. have remained major trading partners. Even without formal diplomatic ties with Taipei, the U.S. has maintained a strong interest and sense of responsibility for the security and well-being of Taiwan.

In accordance with the Taiwan Relations Act, also passed by the Congress in 1979, we have maintained a special and unique relationship with Taiwan. That Act underwrites the security of this geostrategically vital nation by a commitment of the U.S. to provide arms and defense capability sufficient to enable them to maintain their self protection.

The very physical location of Taiwan itself is of vital strategic importance to the overall security in the Pacific area. It is immediately adjacent to the Taiwan Straits which is most critical to the passage of ocean traffic and a potential "choke point." It is also within easy flying distance to and from Japan, the Philippines and mainland China.

Philippines

Population: 56,371,000.

Government: Republic.

Head of Government: President Corazon Aquino

GDP: \$30.40 billion.

Per Capita Income: \$580.

Defense Expenditures: \$515.06 million.

Armed Forces: Army—62,000 (20,000 reserves); Navy—26,000 (9,500 Marines, 2,000 Coast Guard, 12,000 reserves); Air Force—17,000 (16,000 reserves); Paramilitary—42,000.

Total Regular Armed Forces: 105,000.

President Corazon Aquino's struggle for internal stability and economic recovery was no easier during her second year in office than it had been in the first. But, this time she made a number of positive gains that will hopefully aid in relieving some of the suffering of her people.

The new constitution proposed by Mrs. Aquino received overwhelming acceptance in a nationwide referendum. That document's most appealing provisions were severe restrictions on the use of martial law, one six-year term for the President and a bicameral legislative body to be composed of 24 senators and 250 representatives.

In May the people voted for their legislators in a relatively free election. On July 27, when the new Congress met for the first time, supporters of the President held 22 of 24 Senate seats and a sizable majority in the House. The Aquino government will adopt further trappings of democracy by holding local and municipal elections in March 1988.

But the path to democratization of the Philippines has not been as smooth as the above might indicate. Five coup d'etat attempts in less than two years give ample evidence that Mrs. Aquino's support in the military is seriously fragmented. During the latest such occurrence in August, a renegade army colonel named Gregorio Konasan, himself something of a folk hero in parts of the island nation, led about 1,300 soldiers in attacks on Malacanang Palace and other government facilities. Interestingly, all major army units refrained from participation in defusing the ill-fated rebellion. Thanks to the Philippine Marines and several paramilitary units, the coup was quelled and most of the participating troops apprehended, but not until 53 people were killed and scores more wounded.

The military threat is not confined solely to the ranks of the Armed Forces of the Philippines (AFP). Moslem separatist factions in the southern islands sometimes pool elements of their 260 private armies in an effort to force their autonomous intentions upon the Manila government. At other times these same factions have been known to side with the AFP in countering the nationwide communist insurgency.

The most significant security threat comes from the 23,000 armed guerrilla insurgents of the New People's

Army (NPA), the military arm of the Communist Party of the Philippines. These well armed and trained revolutionaries have engaged in every possible form of insurgent activity for more than 18 years. NPA is responsible for an average of eight Filipinos killed daily. Mrs. Aquino's efforts to negotiate a peace with the NPA has accomplished little more than to antagonize senior and middle rank AFP officers who accuse the President of being soft on communism.

Amid the gloom of the communist insurgency and a somewhat fragmented Army, the slight improvements shown in the Philippine economy were welcome bright spots for the Manila government. When figures for 1987 are in, growth is expected to be around seven percent, topping the 1986 rate of 5.1 percent. Inflation is down and an arrangement to reschedule much of the \$28 billion foreign debt (at a 40 percent reduction in interest) bodes well for the economy as it struggles to recover from the pillaging by Ferdinand Marcos.

While the government of Corazon Aquino has enjoyed the full support of Washington, that arrangement could be put to test in 1988 upon review of the agreement for the U.S. bases at Subic Bay and Clark Air Base. A new wrinkle in negotiating an extension of the agreement, which expires in 1991, is the constitutional provision that the presence of foreign bases must be accomplished through a treaty requiring ratification by two-thirds of the Senate. In today's climate that wouldn't be much of a problem, but the President seems to be keeping her options open and that could complicate the challenge for both parties to the negotiations. Hopefully, President Aquino will realize that these bases are equally vital to Philippine and United States security. Her endorsement should be enough to carry the day.

Vietnam

Population: 61,532,000.

Government: Communist people's republic.

Head of Government: Prime Minister Li Gun Mo

GDP: \$19.4 billion.

Per Capita Income: \$180.00.

Defense Expenditures: Not available.

Armed Forces: Army—1,100,000; Navy—40,000 includes 27,000 naval infantry; Air Force—20,000; Air Defense Forces—100,000; Paramilitary—1,620,000; Reserves: 3,000,000 (all services).

Forces Abroad: 190,000.

Total Regular Armed Forces: 1,260,000.

During the first half of 1987, Vietnam continued the changes in its leadership begun in December. In February, 13 top officials were ousted and 21 new ministers were appointed. Government reorganization was supposed to enable Communist Party General Secretary Nguyen Van Linh to pursue a nationwide policy of limited economic liberalization with some capitalist-style incentives. The real struggle within the

leadership was how to deal with the flood of grass roots criticism which preceded the December party meetings.

Since December 1986, Vietnamese leaders have been selected on their adherence to the course of renovation that was mandated by the Sixth Party Congress. The word "renovation" has become the rallying cry of the Vietnamese Communist Party as it tries to rescue the country from its economic morass and rid the government of corrupt and incompetent bureaucrats. Purges are underway that could mean expulsion of up to one-fourth of the Party's nearly two million members.

Economically, Vietnam remains a basket case. With three-digit inflation, a \$1 billion foreign debt and the Soviet bloc holding markers for some \$5.5 to 6 billion, there is little hope for relief. The International Monetary Fund has long since suspended support and Vietnam has been unable to get back on the approved list. Farmers cannot produce enough food and malnutrition is widespread. To get a grip on some of these problems, Hanoi authorities decided to allow some limited exercise of free enterprise in Ho Chi Minh City (formerly Saigon). Today, there is an economic boom in the former capital of South Vietnam and the Vietnamese leadership wants to replicate those gains in the North.

During this period of self-criticism, the Vietnamese military has been very vocal and has been involved in a drive for reform. However, the world's third largest army has not found quick or easy solutions. There are charges that soldiers lack rations and uniforms. Along the Chinese border, troops go without shoes and must share clothing. Corruption and poor training are frequently mentioned as major problems by the rank and file. On the other hand, Vietnamese soldiers seem to perform adequately when faced with Chinese incursions in the North and their 140,000 force in Cambodia has been effective against the Cambodian guerrillas.

As in past years, the Soviet Union contributed approximately \$2 billion in aid to Vietnam and appeared content to support, ad infinitum, Vietnam's occupation of Cambodia. Vietnamese officials insist they will withdraw their forces from Cambodia by 1990, although they realize that the Cambodian Army may still lack the degree of effectiveness needed for Phnom Penh's security.

The replacement of Hanoi's intractable ruling gerontocracy, often by people not much younger, is supposed to pave the way for solutions to some of Vietnam's grave and growing problems. The Vietnamese people and the world must wait a little longer to view any positive results therefrom.

Thailand

Population: 52,863,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Prem Tinsulanonda

GDP: \$38.57 billion.

Per Capita Income: \$800.

Defense Expenditures: \$1.56 billion.

Armed Forces: Army—166,000 (80,000 conscripts); Navy—42,000 (including 900 naval air and 20,000 Marines); Air Force—48,000; Paramilitary—77,500.

Reserves: 500,000 (all services).

Total Regular Armed Forces: 256,000.

Again in 1987, Thailand was able to sustain the domestic calm that has marked Prime Minister Prem Tinsulanonda's seven years in office. Early in the year Gen. Chaovalit Yongchaiyudh, the Thai army commander, in a series of speeches critical of the politicians, called for a "peaceful revolution" to overhaul the country's political, economic and social system. These remarks sparked the national debate throughout the year, and led to calls for a no-confidence vote for Prem's cabinet. In November, as parliament slipped into chaos over demands for a cabinet reshuffle, there were three military demonstrations (one included 800 officers), expressing support for the military commander and criticizing the politicians. Still, the Prem coalition remained in control of the 18-month-old government.

Amid all the usual political maneuvering, Thais took time out to honor their revered King Bhumibol Adulyadej on his sixtieth birthday. He has been on the throne since 1946 and has played a considerable role in maintaining political stability. Twice in this decade attempted coups have failed for lack of support from the monarchy. The King's enormous popularity has made him the source of legitimacy for the military-backed governments while at the same time he is the final arbiter among the many competing political factions. When on his birthday the King did not abdicate as some thought he would, it led to widespread speculation about how Thailand would fare without him. Whatever happens, a change in the monarchy could easily disrupt the delicate balance of power between the monarchy, the military, the politicians and the bureaucrats.

During the past decade, more than 520,000 Vietnamese, Cambodian and Laotian refugees have been resettled (70 percent to the U.S.) through Thailand, but lately there has been a growing reluctance by Western nations to accept more Asian refugees. Thus, there are now more than 300,000, mostly Cambodians, living in the squalor of Thai refugee camps. Further, the Vietnamese, who control Cambodia, object to readmitting what they consider to be potential insurgents. This stalemate has forced the Thai government to take a tougher stance toward refugees, and they are now clos-

ing their borders and have forced a small number of Laotian hill people back into Laos.

In the spring, the Thai government supplemented its get-tough policy for refugees by vigorously attacking Vietnamese forces holding a group of strategic hills inside Thailand. This was the first time the Thais have been willing to commit themselves to a prolonged engagement, and, despite hard going against an entrenched enemy, the Thais regained control of the border site. During this two-month effort, Thai forces lost about 50-70 dead and about 500 wounded in the most intense engagement since the Vietnamese overran the Cambodian rebel base camps in the area two years ago.

As they face the challenges of national elections and a potential change of monarch in 1988, the people of Thailand will need a wealth of patience, courage and stamina if they are to maintain the political stability they have relished in recent years.

Cambodia (People's Republic of Kampuchea)

Population: 7,566,000.

Government: Communist dictatorship.

Head of Government: President Heng Samrin

GDP: Not available.

Per Capita Income: \$100 (1984 estimate).

Defense Expenditures: Not available.

Armed Forces: Army—30,000. Paramilitary—20,000 provincial forces.

Total Regular Armed Forces: 50,000.

In one part of Southeast Asia, the year 1987 was no different from the last seven—there was war in Cambodia. About 140,000 Vietnamese troops, combined with an estimated 30,000 Cambodian government soldiers, remain arrayed against a three-party resistance group: the Khmer Rouge led by Pol Pot, the non-communist Khmer Peoples' National Liberation Front headed by Son Sann and the non-communist Armee Nationale Sihanoukiste under Prince Norodom Sihanouk. While it is difficult to assess the tempo of the conflict or to determine which side has the upper hand, it seems clear that the resistance effort has changed its tactics. In the past, most guerrilla attacks took place in the area of the Thai border, but lately more incidents have been aimed at villages located in the interior of Cambodia.

Despite a slight decrease in the pace of the war in 1987, the many years of conflict have brought Cambodia to its knees. Forty percent of the arable land is out of production because of lack of security. The male population has been decimated. Today, malnutrition is widespread and there is an almost total lack of medical facilities. Deep psychological scars and fear and despondency have drained the energy from the surviving population. In sum, the Khmer people live markedly below the levels that prevailed before the 1970's.

In contrast to Cambodia's dismal security and economic conditions, optimism for a political settle-

ment to the war increased in 1987. Early in the year the Vietnamese showed some flexibility by stating a desire to engage in "serious talks about serious problems." The Soviets continued to support the Vietnamese, but with ever-increasing pressure to end the eight-year Cambodian war. As numerous other Asian countries actively sought ways to overcome the impasse, Prince Sihanouk, the 65-year-old ex-leader of Cambodia, emerged as the one great conciliator.

In October, Sihanouk started an effort which culminated in a meeting with Hun Sen, the Cambodian Prime Minister, in Paris in December. This first effort to negotiate peace ended rather inconclusively with a bland communique calling on the other rebel forces to join in future talks. At least the meeting showed movement and it could possibly serve as a start toward substantive negotiations in times to come.

Significantly, Washington and Moscow both appear to fully support negotiations but it will probably take a lot more than that before peace ever comes to Cambodia.

India

Population: 779,983,000.

Government: Federal republic.

Head of Government: Prime Minister Rajiv Gandhi

GDP: \$194.87 billion.

Per Capita Income: \$270.

Defense Expenditures: \$7.97 billion.

Armed Forces: Army—1,100,000 (200,000 Reserves);

Navy—47,000 including Naval Air Force; Air Force—115,000; Paramilitary—373,000.

Reserves: 40,000 Territorial Army.

Total Regular Armed Forces: 1,262,000.

On August 15, India celebrated 40 years of statehood. Although mindful of the uncertainties of the future, India can look back on four decades of democratic rule; a boisterous press; an economy striving against stupendous odds; and a large, but completely apolitical, military force that is fully responsive to civilian rule. Still, the world's largest democracy is overwhelmed with rampant poverty and intensifying polarizations characterized by violent warfare between rival ethnic and religious factions.

Prime Minister Rajiv Gandhi's government continues to be plagued by charges of corruption and allegations of kickbacks which have necessitated repeated cabinet changes. Political opponents charge Gandhi with reversing himself on policy and making inaccurate and embarrassing public statements. Indian civil servants are unhappy because of his constant attacks on the bureaucracy. Probably his greatest failing is the inability to handle the festering Sikh rebellion in the state of Punjab.

Communal problems are not new to India. Clashes in May between Hindus and Moslems north of New Delhi caused 93 deaths. Gurkhas in the northeast are willing

to fight for statehood; the Nagaland rebellion against the government rolls on in the east, and the Tamils in the extreme south frequently express their restlessness with gunfire. But, it is in the northern Punjab where insurgent activity is at its worst. There have been over 700 deaths related to Sikh-Hindu confrontation there in 1987. Moreover, Gandhi was forced to reverse his proudest achievement when he dismissed the moderate Sikh Government he established in Punjab because it was unable to contain the violence. Despite sweeping arrests there seems to be little hope for an end to the agony and bloodshed in Punjab.

Notwithstanding internal strife, border skirmishes, a crushing drought and a sluggish economy, India's military intervention in the island nation of Sri Lanka dominated the headlines in 1987. Over the last four years an ethnic conflict raged between the majority ruling Sinhalese group and the Tamil insurgents. At mid-year, Sri Lankan government troops seemed capable of militarily overcoming the insurgents and had managed to drive the Tamil Liberation Tigers onto the Joffna Peninsula. When the Colombo government decided to finish the job and began attacking the Tigers with helicopters and planes, Gandhi intervened, signaling India's intent to protect the Tamils from being crushed by force. In September, when the Tamil Tigers resumed attacks on civilians, Gandhi authorized the Indian Army to disarm them by force. After ten days of bloody fighting by an Indian force which had grown to 20,000, the Tamil Tigers were overcome. There is a realization that despite this setback, the Tigers will probably resume their guerrilla war in the future.

The year for India generally ended on a note of sadness and frustration. The feeling was that the politicians, their leaders, had failed them.

Pakistan

Population: 99,705,000 (excludes Afghan refugees).
Government: Limited parliamentary democracy.
Head of Government: President Mohammad Zia ul-Haq
GDP: \$32.82 billion.
Per Capita Income: \$380.
Defense Expenditures: \$2.54 billion.
Armed Forces: Army—450,000 (500,000 reserves);
Navy—13,000 (5,000 reserves); Air Force—17,600
(8,000 reserves); Paramilitary—164,000.
Forces Abroad: 30,000.
Total Regular Armed Forces: 480,600.

Pakistan has paid a heavy price for its continued support of the rebels who are fighting against the Soviet occupation of Afghanistan. More than three million Afghan refugees are jammed into squalid camps on the Pakistani side of their mutual border and they have severely strained Pakistan's resources. Additionally, Afghan warplanes, intent upon retaliation against guerrilla groups operating from the camps, often direct their

strikes toward nearby Pakistani towns, creating heavy civilian casualties and stirring ancient ethnic animosities between natives and refugees.

To aid Pakistan in the defense of its airspace, the United States government has agreed to supply Islamabad with advanced early warning radar aircraft, thereby increasing the effectiveness of their U.S.-supplied F16 fighter planes. American military assistance has long been forthcoming in consideration for Pakistan's help in supplying the Mujahedeen resistance with the arms needed to fight the Soviets and the government they imposed in Kabul.

Again in 1987, this generous American military and economic aid to Pakistan was called to question in Washington over the reported development of a nuclear weapons program by the government of President Mohammed Zia ul-Haq. Zia denies that his government possesses nuclear weapons, yet he obliquely admits to having that "capability." This controversy tied up a \$4 billion, six-year aid package until Congress finally decided in December that Pakistani support for Afghan rebels was the determining consideration and the bill passed.

With Pakistan's internal political situation enjoying an unprecedented period of stability, Zia and his civilian Prime Minister, Mohammed Khan Junejo, have dedicated their diplomatic talents toward the development of a settlement in Afghanistan. Taking to heart unmistakable Soviet intentions to extricate its 115,000 troops from Afghanistan, Zia and Junejo are tactfully trying to convince the rebel leadership to accept some Communist participation in a coalition government in Kabul, something that rebels have thus far refused to accept. With the Mujahedeen lacking the forces to oust the Soviets, a negotiated settlement of the war in Afghanistan would be welcomed no less by the direct participants in that bloody struggle than by those Pakistanis living in the border regions who are watching their own children fall victims to it.

Afghanistan

Estimated Population: 15,531,000.
Government: People's republic.
Head of Government: Secretary General Najibullah
GDP: \$3.21 billion.
Per Capita Income: \$168.
Defense Expenditures: \$286.96 million.
Armed Forces: Army—45,000 (mostly conscripts);
Air Force—5,000; Paramilitary—30,100.
Total Regular Armed Forces: 50,000.

All the talk about the withdrawal of 120,000 Soviet troops from Afghanistan in 1987 turned out to be just that—talk. Moscow has made no secret of the fact that it would like to cut its losses after eight years of war that Mikhail Gorbachev once called Russia's "bleeding wound." Yet, despite growing pressure from disheartened veterans and grieving parents at home, the loss of credibility in the non-aligned Third World and

repeated censure from the United Nations, the only Soviet troop withdrawals so far have been units whose full replacements were on board before they were allowed to leave.

The Afghan war has cost the Soviet Union an estimated 20,000 soldiers killed and more than \$5 billion in resources it can ill afford. For Afghans, 1.24 million war-related deaths accounts for nine percent of a population of 12 to 15 million. Another five million Afghans have fled the country since the Soviet invasion—with three million in Pakistan and two million in Iran. Still, the fighting continues.

At the start of the year, the Soviet Union's hand-picked president of Afghanistan, Najibullah—many Afghans have only one name—unveiled a program of "National Reconciliation," through which he hoped to persuade the anti-communist guerrillas to lay down their guns and end the war. In exchange for a mutual cease fire, he pledged to make Islam the official state religion and to introduce land sharing between the Kabul government and the people. Of course, that plan was rejected outright by the rebels who have carried the fight to the Soviets and their puppet government for all these years.

One major consideration which could hurry the Soviet withdrawal from Afghanistan is the type of government it would leave behind in Kabul. Moscow insists that this should be one that is "not unfriendly to the Soviet Union," meaning communist dominated. That, everyone knows, will not come to pass as long as the Mujahedeen are able to fight, which is as long as they continue to receive American arms. As one rebel political officer stated, "whatever happens we will keep fighting. It will be a fight to the death, but without U.S. aid it might not be a fight to victory."

For this eighth year of the Afghanistan war, that American aid has provided the Mujahedeen with some surprising victories, especially in the case of the hand-held Stinger anti-aircraft missiles which have all but deprived the Soviets of control of the air. Rebel leaders credit the Stinger with changing the course of the war by taking Soviet MI24 Hind attack helicopters out of the battle.

For the future, the Reagan administration has indicated a willingness to halt some \$600 million a year in arms aid to the guerrillas, but only as the Soviets withdraw. Moscow has refused to specify a pullout timetable until the aid stops. The rebels demand that the occupation forces go before their fight is over and they refuse to even consider the inclusion of Najibullah or any of his despotic secret police in a coalition government.

If a peaceful solution to the conflict in Afghanistan is to emerge from U.N.-sponsored talks in Geneva during 1988, it will only be because of a sincere willingness to compromise by all parties. Such willingness is yet to be in evidence. Another alternative: Mikhail Gorbachev could decide to quit Afghanistan outright without regard to cost.

Australia

Population: 16,428,000.

Government: Democratic federal state system.

Head of Government: Prime Minister Robert Hawke

GDP: \$162.36 billion.

Per Capita Income: \$10,830.

Defense Expenditures: \$4.80 billion.

Armed Forces: Army—32,000; Navy—15,700; Air Force—22,800; Paramilitary—Bureau of Customs (no numbers).

Reserves: 26,112 (all services).

Forces Abroad: 235.

Total Regular Armed Forces: 70,500.

The unsettling economic news that greeted Australians in 1987 was marked by plunging commodity prices and a rapidly mounting foreign debt. Unfortunately, most of the \$68 billion foreign debt, one of the world's largest, was in foreign currency and a declining exchange rate for the Australian dollar made it increasingly difficult for the government to meet its obligations.

At home real wages, which had declined five to six percent over the last two years, continued their downward trend in 1987. With interest rates at 15 percent, inflation almost 10 percent and unemployment hovering around eight percent, economic growth for the year remained below the two percent mark. The lack of structural soundness in the Australian economy is readily apparent in the nation's over-reliance on the bounty of the earth and its woefully inadequate industrial sector, lacking as it does modern technology and ingenuity.

In order to get a handle on the ailing economy, Prime Minister Bob Hawke unveiled an austere 1988 budget that he promised would reduce the deficit from its 1987 high of \$2.7 billion to \$19.7 million. To accomplish that optimistic objective, the social programs so popular with his labor constituency must suffer painful reductions. Additional austerity measures will require a pronounced lowering of Aussie living standards and a curb on their appetite for imports.

At the same time that Hawke was forcing this bitter economic pill on his people, the polls gave indication of a swing to the right among voters. Yet, despite these problems and signs, the Prime Minister called for early elections and was handily re-elected in July. Mr. Hawke thus became the first Labor Party leader ever to win a third term.

Hawke's victory reflected as much the disunity of the conservative opposition as it did any real satisfaction with his austerity programs. The electorate seemed to be of a mind that if they had to take this medicine, let it be administered by the family doctor, not an outsider. His gamble that the people would accept the budget reductions paid off, but not until he had endured some serious campaign heckling from students and welfare recipients. Strangely, he was often feted by entrepreneurs and by big businessmen, a complete turnabout in Australian politics.

New Zealand

Population: 3,317,000.
Government: Parliamentary.
Head of Government: Prime Minister David Lange
GDP: \$22.70 billion.
Per Capita Income: \$7,010.
Defense Expenditures: \$560.79 million.
Armed Forces: Army—5,800 (1,370 reserves);
Navy—2,600 (755 reserves); Air Force—4,200 (790
reserves).
Reserves: 6,437 (Territorial).
Forces Abroad: Singapore (numbers unknown).
Total Regular Armed Forces: 12,600.

Prime Minister David Lange carried his Labor Party to a mid-year election victory and in the process helped retain a 15-seat majority in the 97-member parliament. The Labor Party won 47.4 percent of the vote in its first back-to-back victory since 1938.

In their three years at the helm, Lange and his Labor government have rewritten New Zealand's economic policy to focus on open competition and free enterprise. It has sheared away most subsidies in farming, cut income tax rates, deregulated the financial markets, eliminated exchange controls, trimmed big state enterprises and reduced import taxes. In the process, the Labor Party has left the conservative National Party searching for ways to out-reform the Lange administration.

In spite of all these changes the New Zealand economy has not enjoyed the expected upward surge. The economic growth rate crawls along at a 1.1 percent, the nominal interest runs at about 18 percent and inflation is estimated to be at least 10 percent when the 1987 statistics are compiled.

In June the New Zealand parliament passed a Nuclear Free Zone Law, formalizing the ban that had already severed its defense links with the United States. Moreover, anti-nuclear sentiment has become so entrenched among New Zealanders that a future conservative victory would probably not be enough to overturn the new law.

Prime Minister Lange emphasizes that his country's defense policy rejects isolationism and insists that it will remain committed to collective security arrangements with other countries in the South Pacific. As an example, he expresses a desire to keep the five-power defense relationships linking New Zealand with Britain, Australia, Singapore and Malaysia. Mr. Lange's economic programs seem to be improving conditions in one of the most socialized countries in the developed world. It would be a real shame if his anti-nuclear policies were to cost New Zealanders their security.

CENTRAL AMERICA

Mexico

Population: 83,300,000.
Government: Federal republic.
Head of Government: President Miguel de la Madrid
GDP: \$134.13 billion.
Per Capita Income: \$2,080.
Defense Expenditures: \$1.17 billion.
Armed Forces: Army—105,000 (60,000 reserves);
Navy—28,000 including naval air and marines; Air
Force—6,500; Paramilitary—120,000.
Reserves: 300,000 (all services).
Total Regular Armed Forces: 254,500 including para-
military.

When Miguel de la Madrid was inaugurated president of Mexico in December 1982, he inherited a government that seemed to be plunging headlong toward economic chaos. He blamed inflation that approached 100 percent and a host of other economic problems on the runaway public spending policies of his predecessor which, he said, led to accumulation of a huge (nearly \$80 billion) national debt. Most Mexican citizens were not to realize until later that their nation had come to the end of its oil-boom era, but the hardships they have since endured have made that abundantly clear.

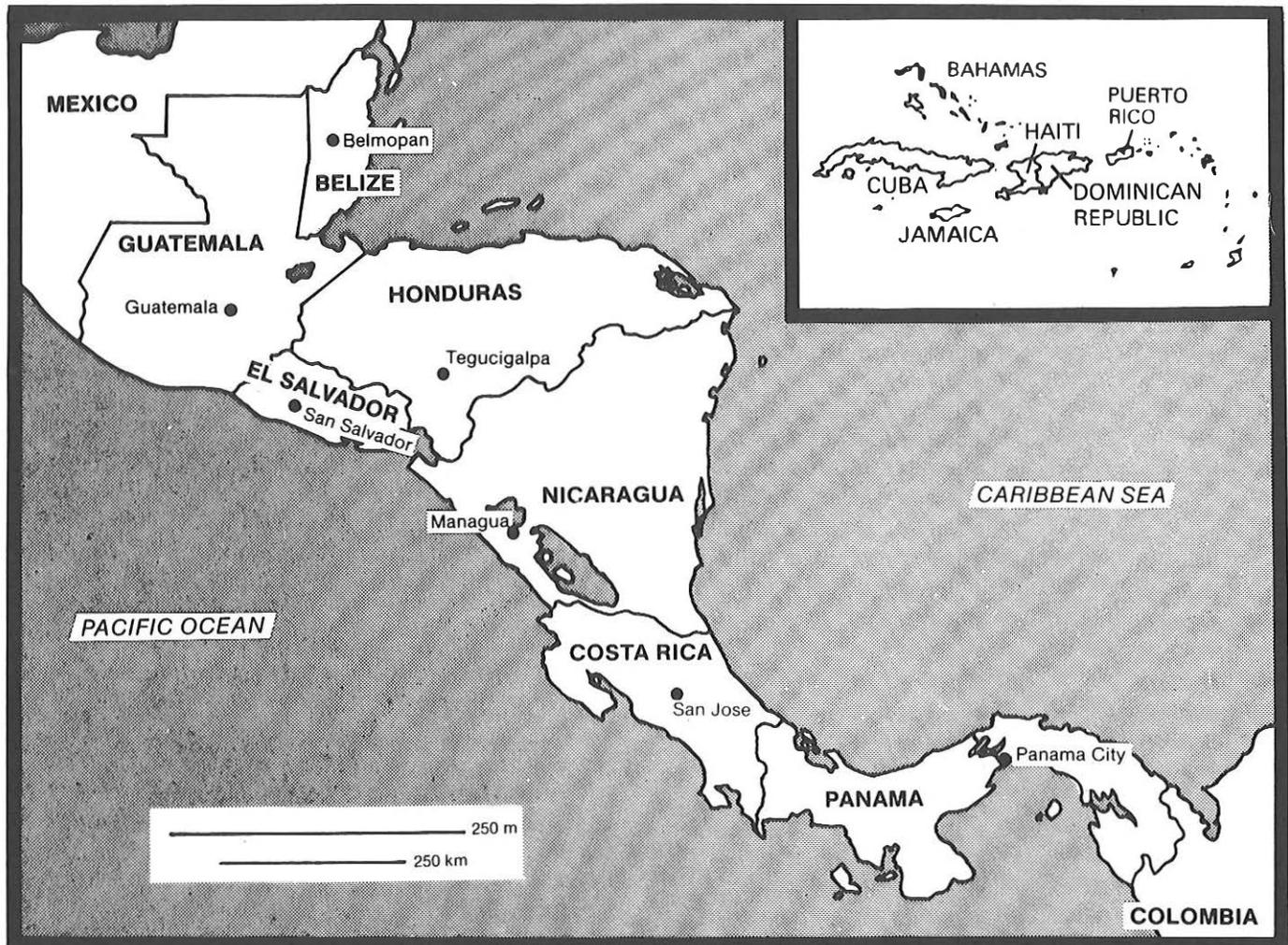
As de la Madrid now prepares to hand over the mantle of power he inherited in the midst of an economic crisis, Mexico seems no better off for his service. In fact, in several ways the situation has deteriorated. Today, inflation has reached a record high of 144 percent and Mexico has been unable to service its now \$100 billion debt since 1982. The President's earlier economic austerity measures appeared to show promise but in the end they were not enough to rescue a corruption-ridden system based on huge economic subsidies and industrial inefficiencies.

President de la Madrid has named his former Minister of Budget and Planning as the candidate of the ruling Institutional Revolutionary Party (PRI) for the July presidential election. That virtually assures the election of Carlos Salinas de Gortari because the PRI has not lost a national election since its founding in 1929.

Mr. Salinas has been simultaneously praised and cursed as the architect of de la Madrid's economic austerity program. That program's lackluster performance could work against him at the polls, but PRI's control of the political process should more than insure another party victory.

Barring a revolution, or perhaps a miracle, between now and December, Salinas will not only fall heir to Mexico's deepening economic crisis, he will also be confronted with the major problems of mass migration, corrupt politicians, deteriorating U.S.-Mexican relations and drug trafficking operations that have made Mexico the No. 1 source of heroin and marijuana entering the United States.

CENTRAL AMERICA AND THE CARIBBEAN



If Mr. Salinas is capable of solving those intractable problems, he will prove to be a much more capable leader than his predecessor and former college professor, Miguel de la Madrid.

Guatemala

Population: 8,843,000.
 Government: Constitutional.
 Head of Government: President Vinicio Cerezo Arevalo
 GDP: \$15.62 billion.
 Per Capita Income: \$1,250.
 Defense Expenditures: \$265.8 million.
 Armed Forces: Army—38,000 (35,000 reserves); Navy—1,500 including 650 Marines (900 conscripts, some reserves); Air Force—700 (500 conscripts, 200 reserves); Paramilitary—National Police, 9,500; Treasury Police, 2,100; Territorial Militia, 750,000.
 Total Regular Armed Forces: 40,200.

In his second year as leader of Guatemala's first civilian government in 35 years, President Vinicio Cerezo Arevalo still faces the challenges of establishing his credibility. To succeed at that complex task, he must overcome the special problems of land reform, prior human rights abuses, high unemployment, a stagnant economy and a low-level Marxist insurgency. He made little tangible progress in solving any of these problems in 1987, thus the people are still awaiting the perceived benefits of democracy.

Cerezo is well aware that he can do little in the way of social and political initiatives without a healthy economy. He has, therefore, made economic recuperation his highest priority. His policies helped lower the inflation rate from 40 percent for most of the decade to 21 percent at the end of 1986. However, the bug-a-boo of 25 percent unemployment remains with him and he has so far been unable to find a way to invigorate the economy without upsetting stability or driving up inflation.

Closely related to Cerezo's economic dilemma is the problem of Guatemala's inequitable ownership of land, where 80 percent of the farmland is held by three percent of the families. In 1987, Guatemalan peasants found little satisfaction with the President's rural development program since the government had redistributed only 7,000 acres to less than 3,000 families.

Between 1954 and 1982, more than 100,000 Guatemalans were reported killed or missing as a result of the activities of right-wing death squads or left-wing guerrillas. Consequently, the public has voiced expectations of positive action to punish the guilty, a move that Cerezo has deftly side-stepped. So many of those who would be accused or investigated are members of the earlier military government, that Cerezo is hesitant to attack his own greatest source of influence and power. He accepts the fact that he cannot promulgate or execute major policy in Guatemala without the support of the nation's strongest institution—its Army.

Not given to rocking the boat, President Cerezo treads a very narrow middle path in his efforts to gently guide Guatemala in its search for democracy. While representing the symbol of that democracy, he remains highly dependent on support of the armed forces. The degree to which they will aid him in the quest for peace and stability is the key to Guatemala's future.

Honduras

Population: 4,667,000.

Government: Democratic constitutional republic.

Head of Government: President Jose Azcona Hoyo

GDP: \$3.74 billion.

Per Capita Income: \$720.

Defense Expenditures: \$71.58 million.

Armed Forces: Army—14,600 (10,000 conscripts);

Navy—850 (600 Marine conscripts); Air Force—1,500 (700 conscripts); Paramilitary—5,000 Public Security Forces.

Reserves—50,000 all services.

Total Regular Armed Forces: 16,950 (11,300 conscripts).

Jose Azcona Hoyo is having a difficult time being president of the poorest and most sparsely populated of the Central American countries. In the first place, Honduras' strange electoral system permitted his inauguration far short of a mandate, even though he failed to win the popular vote. Secondly, in Honduras the President is Commander-in-Chief of the Armed Forces in name only. There is even a constitutional provision which permits the generals to veto foreign policy decisions with which they disagree. In addition, President Azcona is daily confronted with inter-party feuding among his fellow Liberal Party politicians; with striking workers in the banana industry who demand wage hikes or layoff freezes, or both; and with threats from disgruntled peasants who demand revision of the country's antiquated land tenure laws.

President Azcona's greatest concern, however, stems from the presence in Honduras of large numbers of Nicaraguan counterrevolutionary guerrillas, or contras, and the inevitable clashes with Sandinista government forces that their presence helps provoke.

The Nicaraguan-Honduran border area has provided base camps and cross-over routes for the contras with the full approval of those who were in charge in Tegucigalpa long before Azcona became president. In the past, Nicaraguan government forces have several times attacked across the border to strike at contra and Honduran Army posts in the vicinity. On one or more of these occasions, the United States, on whom Honduras relies for security guarantees, provided helicopters and other military assistance to aid Azcona's army in protecting its borders.

With the August signing of the Arias Peace Plan for Central America (see Nicaragua), the government and the Army of Honduras have become less accommodating toward the contras and more open in questioning American support for the rebels from Honduran territory. Lately, Honduran government officials have been making somewhat of a public show of insisting that at least the main body of the contras operate only within the borders of Nicaragua. Not much has been said about the headquarters, supply depots and hospitals located within Honduras.

Until he is able to rally the support of his people, his party, the generals and the government, President Azcona will be forced to rely on the United States government for support and security. The best he can hope for is that the American Congress will stand by the side of our most faithful ally in Central America.

El Salvador

Population: 5,766,000.

Government: Republic.

Head of Government: President Jose Napoleon Duarte

GDP: \$3.98 billion.

Per Capita Income: \$820.

Defense Expenditures: \$177.00 million.

Armed Forces: Army—43,000 (some conscripts);

Navy—1,500 (600 marines); Air Force—2,500;

Paramilitary—3,600 National Guard, 6,000 National

Police, 2,400 Treasury Police, 12,000 Territorial Civil Defense Force.

Total Regular Armed Forces: 47,000.

Last year's assessment of the situation in El Salvador ended on a note of diminishing optimism concerning President Jose Napoleon Duarte's government and his pursuit of democracy. The recorded events of 1987 did little to assuage the uneasy feeling that Duarte had stumbled badly and was hanging on by a mere thread. Yet given the complexity of his mission—transitioning El Salvador from 50 years of oligarchy to democracy—

and the fact that he is in the midst of a civil war, there is little wonder that some elements of the population rate his government's performance poorly.

One bright spot in Duarte's year was the continued improvement in the operational capabilities of the army. There were signs also of greater proficiency amongst the ranks of the 20,000-man civil defense corps as they pursued civic action programs in the field. The army's success forced the guerrillas to abandon large-scale attacks, but the rebels quickly adjusted their tactics to concentrate on urban guerrilla warfare and economic sabotage. Primary targets for the leftist insurgents were transportation, communications, and power facilities, with special attention given to crippling the vital coffee industry.

In addition to marked improvement in the effectiveness of the army against the guerrillas in the field, Duarte can thank the Army High Command for its support of the democratic experiment in El Salvador. When right wing opposition parties attempted to nullify the Christian Democratic Party's (PDC) victory in the most recent national legislative and municipal elections, it was the Army High Command's refusal to overturn the vote that carried the day for Duarte. On several other occasions, the army has neutralized attempts to overthrow the government. The extent to which Duarte's solid backing in Washington has influenced the high command is uncertain, but everyone is aware that without American assistance the civil war would be lost and the experiment in democracy would surely fail.

President Duarte must rely on the full support of the army as he battles the leftist guerrillas on the battlefield and the back alleys, just as he needs the backing of the majority PDC to counter the rightist coalition's efforts to stymie his every move in the legislature. He also needs the financial backing of the United States Congress whose \$608 million assistance in 1987 slightly exceeded El Salvador's total national budget.

To retain the backing of the people, the generals, his party and the U.S., President Duarte must find a way to regain the initiative he forfeited when he surrendered to guerrilla demands at the time they kidnapped his daughter. Unless he is able to rally sufficient support in time to retain the majority in the 1988 National Assembly elections, he could preside over the demise of El Salvador's attempt at democracy.

Nicaragua

Population: 3,408,000.

Government: Republic under tight military control.

Head of Government: President Daniel Ortega

GDP: \$5.34 billion.

Per Capita Income: \$770.

Defense Expenditures: \$436.09 million.

Armed Forces: Army—74,000 (20,000 conscripts, 22,000 reserves); Navy—1,000 (some conscripts);

Air Force—3,400 (some conscripts); Paramilitary—59,000.

Reserves: 250,000 (all services).

Total Regular Armed Forces: 78,400 (20,500 conscripts).

The conflict in Nicaragua took a dramatic turn in August and for a few fleeting days there were high hopes that peace was about to break out in Central America. Costa Rica's President Oscar Arias had persuaded the presidents of Guatemala, Honduras, El Salvador and Nicaragua, to sign a peace proposal that he felt held the promise of peace for all of Central America. The principal thrust of the Arias plan was to stop the war in Nicaragua.

The plan called for a cutoff of all outside aid to insurgent groups; full democratization in all countries; amnesties for political prisoners and rebels who lay down their guns; cease-fires in the war in Nicaragua and the insurgencies in El Salvador and Guatemala; and a ban against using one state's territory to attack another.

Unfortunately, the euphoria created by the prospect of an end to the war in Nicaragua was short lived. By the time the November deadline for implementation of the plan had arrived, very little had been done in the way of compliance. Rather than declare the plan dead, the signatories elected to extend the deadline until January 1988, at which time the International Verification and Follow-Up Commission would pronounce its assessment of compliance with the agreement.

In the meantime, there has been no real democratization in Nicaragua. The Sandinistas have released only about 10 percent of the 9,000 political prisoners they hold and refuse to allow the Red Cross to visit those who remain. When the year ended, only one newspaper had been re-opened and it was prohibited from publishing stories about the Nicaraguan resistance; radio broadcasts were still censored; the state of emergency which severely restricts freedom of expression and, in effect, legalizes Sandinista repression of human rights was still in effect; and the Sandinistas still refused to engage in direct negotiations with the resistance which precluded a cease-fire agreement.

Nicaraguan President Daniel Ortega closed the door on democratization when he vowed publicly that under no circumstances would the Sandinistas relinquish political power. His brother, Defense Minister Humberto Ortega, made lies of Sandinista non-aggression pledges by confirming a defector's revelation of plans

for a 600,000-man Sandinista Army that would be financed by Moscow and Havana, and by exposing continued Sandinista support for leftist guerrillas in El Salvador.

The Sandinistas, however, are not alone in their non-compliance with the Arias plan. The contras, now at their peak, fight on. U.S. aid to the contras continues from bases in Honduras. In El Salvador, a partial amnesty of political prisoners from both left and right was promptly followed by acceleration of the civil war by both sides. Right wing death squads and leftist guerrillas alike have been blamed for the murder of human rights officials in El Salvador and Honduras.

This nearly universal failure to live up to the agreement reveals its biggest flaw—the absence of any form of sanction or penalty for non-compliance. Until the leaders on both sides of the various conflicts demonstrate their trustworthiness by living up to their agreements, or they find the courage and strength to enforce compliance, the prospects of relieving the misery and suffering of ordinary Nicaraguans seem bleak. The goal of a settlement in Nicaragua remains elusive and the peoples' dreams of peace and freedom are no closer to realization now that they were at the beginning of 1987.

Costa Rica

Population: 2,686,000.

Government: Democratic republic.

Head of Government: President Oscar Arias

GDP: \$4.10 billion.

Per Capita Income: \$1,300.

Defense Expenditures: \$30.91 million.

Armed Forces: Paramilitary—9,500 (6,000 civil guard, 3,500 rural guard).

Total Security Forces: 9,500.

President Oscar Arias' efforts to promote the regional peace plan that bears his name and won for him the 1987 Nobel Peace Prize, have been no more fruitful than his program to guide Costa Rica through economic recuperation. At first, his program to avoid further bloodshed in Central America seemed to be winning acceptance among the parties with a direct interest in the ongoing insurgencies there. But as two deadlines for its implementation passed with little discernible progress, it became evident that yet another peace plan was on the verge of failure.

The first Arias plan was put forth in February, but immediately came under fire from Nicaraguan opposition leaders because, to them, it favored the Sandinista government in Managua. When Arias amended the earlier plan to include a provision calling for the restoration of democracy in Nicaragua, he was able to persuade his fellow Central American presidents to sign it, which they did in Guatemala on August 7.

In the first three months following the signing, the Central American countries were to take steps to in-

crease democracy and end the guerrilla wars in the region. Yet, after five months there was no cease-fire in Nicaragua; Moscow was still supplying weapons to the Sandinistas; and the U.S. continued to supply and support the contra rebels. More importantly to President Arias, tens of thousands of Nicaraguans continued to seek refuge in Costa Rica, placing great strains on that nation's ailing economy.

Economic recovery has been a fluctuating thing for Costa Rica. The nation benefited from rising coffee and falling oil prices in 1986, the latest year for which figures have been compiled. That gave the government a \$200 million hard currency surplus. The Gross Domestic Product (GDP) grew at a rate of 3.2 percent and inflation ran 14.5 percent. While the 1987 figures are not yet in, a rapid decline in coffee prices, along with recovering oil prices, cannot but reverse the earlier trend.

Compounding the President's financial problems are the deficit spending practices of his government which keeps Costa Rica in hot water with the World Bank and impedes negotiations for restructuring its \$5 billion debt. The obstructionist tactics of the opposition party are another impediment to economic progress since President Arias has been unable to convince the legislature to reduce the 44 percent of the budget it lavishes on salaries of the one-third of the national labor force employed by that government.

President Arias' chances of overcoming this myriad of domestic difficulties leaves him little time to pursue the goals of regional peace and stability, but his style of leadership and his dedication to the cause of justice force him to try his utmost. To be successful, he will need a lot more help than he has been getting in the past.

Panama

Population: 2,233,000.

Government: Centralized republic.

Head of Government: Gen. Manuel Antonio Noriega

GDP: \$5.02 billion.

Per Capita Income: \$2,100.

Defense Expenditures: \$104.60 million.

Armed Forces: Army—4,500 (National Guard); Navy—500; Air Force—200; Paramilitary—8,800.

Total Regular Armed Forces: 5,200.

For the first five months of 1987, Panamanians continued to struggle with their three major concerns: a potentially explosive political crisis, a failing economy, and Gen. Manuel Antonio Noriega. The extent to which the latter problem was the cause of the first two became more evident as the months passed. As commander of the Panama Defense Forces (PDF), Gen. Noriega controls the government. He had been in for criticism of his heavy handed manner of operation and because of allegations of criminal activity. But, not even the U.S. gov-

ernment, which was becoming increasingly uncomfortable with Noriega, seemed disposed to object very loudly.

Then, during the first week in June, Col. Roberto Diaz Herrera retired as Chief of Staff of the PDF and held a series of interviews with the opposition press. His revelations precipitated often violent demonstrations against the corrupt government of Gen. Noriega that lasted the rest of the year.

Diaz confirmed some of the previous charges of criminal activity involving Noriega. He also reported that Noriega stole the 1984 presidential elections, ordered the 1985 murder of a popular opposition leader, and forcefully removed President Nicholas Barletta for attempting to investigate the killing. A cousin of the late Panamanian leader, Gen. Omar Torrijos, Diaz spoke openly of Noriega's association with drug kings and claimed Noriega was responsible for the plane crash which killed Torrijos in 1981.

Diaz' long list of charges released a torrent of public indignation never before seen in Panama. The National Civilianization Crusade, consisting of businessmen, church officials, professionals and students organized mass relays, demonstrations, work stoppages and strikes demanding the ouster of Gen. Noriega. At the same time government repression increased intensely, culminating in Noriega's declaration of a state of emergency in July.

The demonstrations and associated violence, plus Diaz' revelations caused the United States government to suspend all economic and military aid to Panama. Congress added its voice in an 84-2 resolution demanding an independent investigation of the charges against Noriega. For the remainder of the year, Washington applied the pressure intended to remove Noriega but, thanks to the way he has stacked the command of the Defense Forces, he has so far been able to retain power.

Since the onset of political crisis in June, the Panamanian economy has been disabled by large capital flight (deposits in Panama's banking system dropped \$8 billion between June and October), resulting in depleted cash reserves and lack of success in attracting new credit. Tourism has also dropped 25 percent. The Panamanian economy will show negative growth of minus two percent for 1987.

What impact the Crusade will have on Noriega's eventual removal is speculative. An alternative is that Noriega's aides in the Defense Forces could follow his example of broken promises by getting rid of their discredited commander. If all else fails, it may turn out that Panama's economic collapse will bring about Noriega's downfall.

Cuba

Population: 10,262,000.

Government: Communist dictatorship.

Head of Government: President Fidel Castro.

NMP: \$18.09 billion.

Per Capita Income: \$1,590.

Defense Expenditures: \$1.66 billion.

Armed Forces: Army—145,000 including portions of Ready Reserve (60,000 conscripts, 110,000 reserves); Navy—12,000 (8,500 conscripts, 8,000 reserves, 550 Naval infantry); Air Force—18,500 (11,000 conscripts, 12,000 reserves); Paramilitary—1,368,500.

Forces Abroad: 39,100 (3,500 Latin America, 35,100 Africa, 500 Mideast).

Total Regular Armed Forces: 175,500 (79,500 conscripts).

Fidel Castro and his revolutionary Cuba have changed little in the past year. The self-professed spokesman for the Non-Aligned Movement is still very much a Soviet pawn allowing his country's troops to be used as surrogates for Moscow's worldwide interests. Economically, Cuba is worse off than ever before and Washington-Havana relations have never been so cold.

United States intelligence agencies made a lucky strike in late spring with the almost simultaneous defections of two rather highly placed Cuban officials. The first was Brig. Gen. Rafael del Pino Diaz, former head of the Cuban Air Force contingent in Angola, who with his wife and three children landed a twin engine private plane in Key West, Florida. The U.S. defense and intelligence communities hailed del Pino as the highest ranking Cuban defector to date. At first del Pino's position was downplayed by Castro, but within a month the Cuban dictator made a four-hour televised speech lamenting the damage this loss had inflicted on Cuban security.

The second important defection of 1987 was that of Florentino Aspillaga Lombard, 40, a highly decorated major in the Cuban intelligence service. On June 6, Aspillaga was serving as Cuba's intelligence chief in Prague when he drove across the Austrian border and he made himself known to American diplomats in Vienna. Aspillaga expressed extreme dissatisfaction with Castro's lavish lifestyle amid the squalor and austerity endured by ordinary Cubans.

Both del Pino and Aspillaga have disclosed widespread disaffection among Cubans over the Castro regime's corruption and repression. Concerning the war in Angola, del Pino confirmed that approximately 10,000 Cuban combat troops have died there since Cuba first entered the fighting in 1976. The bodies of the dead, he said, are not returned home in an effort by the government to keep the people ignorant of the real cost of that war.

Still an economic basket case, Cuba continues to rely on the Soviet Union as its economic life-line—to the

tune of \$4.5 billion each year. In return, Castro has sent Cuban troops and advisors to more than 10 countries, including Angola, Ethiopia and Nicaragua, in order to further Soviet foreign policy goals.

Overall, Castro's power base appears to have remained intact, yet as his five-year economic plan continues to fall far short of projected goals, he will face ever greater economic and social problems in the years to come.

Haiti

Population: 5,632,000.

Government: Provisional.

Head of Government: Gen. Henri Namphy

GDP: \$2.25 billion.

Per Capita Income: \$310.

Defense Expenditures: \$30.54 million.

Armed Forces: Army—7,000; Navy—325 Coast Guard; Air Force—275.

Total Regular Armed Forces: 7,600.

Almost two years have passed since Jean-Claude "Baby Doc" Duvalier was spirited out of Haiti in a United States Air Force plane. What was thought to be the beginning of a transition from a brutal dictatorial regime to a working democracy has fallen far short of projected expectations. The provisional government led by Lt. Gen. Henri Namphy has done little to promote the course of the democracy it once promised. Western analysts view the situation in Haiti as a volatile powder keg with a short fuse, the possible outcome being anarchy or civil war.

Violence has become commonplace in Haiti as renegade gangs of TonTon Macoutes, Duvalier's former secret police, massacre innocent peasants with machetes or machineguns. These terrorists sell their services to anyone who is willing to pay and the government is not disposed to stop them. In July they were responsible for the senseless slaughter of over 200 peasants on a land reform collective. American diplomatic officials believe that as many as 500 people have died in election-related violence since the summer.

A presidential election, the first in 30 years, organized for November was aborted by a widespread wave of killing and intimidation. On the day of the vote, many polling places were burned and several radio stations were destroyed. The official count put the November 30 death rate at 35 while 75 people were injured in the violence. In the wake of these atrocities the Reagan administration suspended all military and economic aid—which comprises 10 percent of the Haitian annual budget.

The future looks bleak for democratically-motivated Haitians. An end to the past year's blood bath does not appear close and even when held, it is highly doubtful that the January elections will move Haiti closer to democracy.

SOUTH AMERICA

Colombia

Population: 29,654,000.

Government: Republic.

Head of Government: President Virgilio Barco Vargas

GDP: \$31.05 billion.

Per Capita Income: \$1,320.

Defense Expenditures: \$282.44 million.

Armed Forces: Army—57,000 (25,800 conscripts, 100,000 reserves); Navy—9,000 including 5,000 Marines (500 conscripts, 15,000 reserves); Air Force—4,200 (1,900 conscripts, 1,900 reserves); Paramilitary—92,500.

Forces Abroad: 500.

Total Regular Armed Forces: 70,200 (28,200 conscripts).

The pervasive violence that marked Colombia during 1986 mounted in intensity throughout 1987. In December 1986, drug traffickers murdered Guillermo Cano, editor of Colombia's second largest newspaper, foreshadowing what could happen to outspoken opponents of Colombia's drug cartel. The violence continued into January when Colombian Ambassador to Hungary, Parejo Gonzalez, was wounded in an assassination attempt. As Minister of Justice from 1984 to 1986, Gonzalez had been leader of Colombia's war on drugs.

In February, the Colombian government scored a victory by arresting one of the nation's most powerful and dangerous drug lords, Carlos Lehder Rivas, a leader of the Medellin cartel that supplies 80 percent of the world's cocaine. Lehder was immediately extradited to Florida where his trial on drug trafficking charges began November 16. Extradition to the U.S., long the chief fear of drug traffickers who could easily bribe Colombian judges, was declared unconstitutional in June, thereby depriving both governments of one of their most effective anti-drug enforcement methods.

Colombia's Supreme Court voted on the constitutional validity of the U.S.-Colombian extradition treaty and the vote ended in a 12-12 tie. Under Colombian law, an independent jurist was chosen to break the split. The jurist, under heavy pressure, voted for his own survival and against the law's validity.

Over the past several years, strong prodding from the U.S. government has encouraged Colombia to increase police efforts to resist drug trafficking, but illegal profits continue to exceed the nation's main legal export, coffee.

With 70 percent of Colombia's people living in urban areas, President Virgilio Barco believes that upgrading the cities' economies will decrease crime and violence. Yet, even as Barco has created new programs to counter the drug traffic, so many members of Congress have re-

SOUTH AMERICA



ceived drug money that the drug lords can operate with impunity. Anyone who gets in their way usually ends up dead or missing.

Despite the increased severity of societal violence, Colombia is not on the brink of anarchy. In the midst of a drug war and guerrilla insurgency, the economy has undergone a remarkable recovery. The political system allows the participation of all elements, regardless of the extremity of their views. Life in Colombia seems to hold promise for those who survive the mounting violence.

Venezuela

Population: 19,100,000.

Government: Federal republic.

Head of Government: President Jaime Lusinchi

GDP: \$52.74 billion.

Per Capita Income: \$3,080.

Defense Expenditures: \$817.22 million.

Armed Forces: Army—34,000 (some conscripts); Navy—10,000 includes 2,500 naval air, 5,200 marines and 800 Coast Guard (4,000 conscripts); Air Force—5,000 (some conscripts).

Total Regular Armed Forces: 69,000 including 20,000 National Guard (18,000 conscripts).

Venezuela, South America's most stable democracy, has had its problems this year with a faltering economy, a burdensome foreign debt, border skirmishes, and student unrest. Having to cope with these enduring problems in the midst of the 1988 presidential election campaign promises another challenging year for Venezuelans.

President Jaime Lusinchi supported his Interior Minister, Octavio Lepage, over former President Carlos Andres Perez, in a hotly contested fight for the Democratic Action Party (AD) nomination. Perez' previous administration, 1974 to 1979, was blamed for having accumulated a staggering \$35 billion foreign debt. Despite that, and despite Lusinchi's efforts to prevent it, Perez won the AD nomination and will represent the party in the election.

He will be running against Eduardo Fernandez, the popular leader of the Christian Democratic Party called Copei. In winning his party's nomination, Fernandez out-pollled another former president, Rafael Caldera, 1969-1974.

Whoever wins the election will have to deal with a \$35 billion foreign debt and a record high annual inflation rate of 40 percent. In addition, the government has nearly exhausted its currency reserves and will be forced to print more money to finance its budget, thus fueling increased inflation.

As the economy weakens and unemployment rises, Venezuelans have become restless. The worst violence in President Lusinchi's three years in office took place this year when rioting college students, protesting the death of a fellow student while in jail, caused \$2 million in

damages. More than 100 students were jailed. Sporadic violence also erupted on the Colombia-Venezuela border where Colombian drug traffickers attacked Venezuelan National Guardsmen in June. The soldiers were searching for marijuana and coca plantations. Parts of Venezuela are being pulled further into South America's drug empire as Colombia makes an effort to clamp down on the cocaine chain across the border.

The coming year will hold many challenges for Venezuela's newly elected president. A declining economy, rising unemployment and increased drug trafficking are just a few of them. Steeped as they are in the traditions of democracy, Venezuelans have previously shown the strength of purpose to overcome tremendous odds. There is every reason to believe that they will again prevail.

Suriname

Population: 388,000.

Government: Military-civilian rule with the Army exercising most power.

Head of Government: Lt. Col. Desi Bouterse

GDP: \$1.09 billion.

Per Capita Income: \$2,600 (1981 estimate).

Defense Expenditures: \$43.31 million.

Armed Forces: Army—2,450; Navy—180; Air Force—60; Paramilitary—900 National Militia.

Total Regular Armed Forces: 2,690.

The people of Suriname, after seven turbulent years of leftist dictatorship under Lt. Col. Desi Bouterse, have shown the world their thirst for democracy. The elections held on November 26, the first in this former Dutch colony in 10 years, were a clear sign to Bouterse that his flirtation with Marxism was a failure. Under his rule the country had slowly deteriorated. He was faced with a failed economy, an armed insurgency, serious shortages of necessities, rampant discontent and the massacre of civilians by government troops.

The collapse of the economy was brought about by three factors: 1) poor economic planning, 2) the decline of world bauxite prices, and 3) the ongoing guerrilla war. The rebels of the National Surinamese Liberation Army (NSLA), led by former army private Ronnie Brunswijk, have attacked all major industries in successful attempts to cripple the economy. The country's three major industries, bauxite, cooking oil and timber, were severely hampered by the insurgency. Furthermore, the rebels destroyed a number of electrical towers providing power to Paramaribo, the country's capital. These attacks resulted in 30 percent unemployment as well as serious basic food shortages which in turn caused the government to impose rationing of necessities.

To meet the growing rebel threat, government troops resorted to the indiscriminate killing of civilians in their search for the guerrillas. In a report on human rights abuses, issued earlier this year, the United States

Department of State reported that government troops had killed more than 200 civilians in December of 1986 alone.

The mounting successes of the rebels forced Bouterse to seek a political solution that would undercut local support for Brunswijk and, hopefully, lead to the restoration of U.S. and Dutch financial aid. His solution was to call for a vote for a National Assembly, a move that backfired when the people showed their dislike of his regime. The election was won in a landslide by the Front for Democracy and Development (FDD), a coalition of three opposition parties. The people widely rejected Bouterse's National Democratic party giving them only two seats in the newly formed 51 seat national assembly.

The first order of business for the assembly when it meets in January 1988, will be to elect a president. If Bouterse and his 2000-man army actually yield full political power to a civilian government, both U.S. and Dutch economic aid is promised. If he doesn't, the people of Suriname will be the losers.

Brazil

Population: 142,830,000.

Government: Federal republic.

Head of Government: President Jose Sarney

GDP: \$241.71 billion.

Per Capita Income: \$1,640.

Defense Expenditures: \$1.77 billion.

Armed Forces: Army—197,000 (143,000 conscripts);

Navy—48,000 (2,200 conscripts, 15,000 Marines);

Air Force—50,700; Paramilitary—243,000.

Reserves: 1,115,000 trained first line, 225,000 second line.

Total Regular Armed Forces: 295,700 (145,200 conscripts).

When Jose Sarney assumed office in March 1985, he did so as the result of indirect electoral college election as Vice President. He succeeded to the presidency when Tancredo Neves died before he could be inaugurated. Thus, Sarney does not enjoy the legitimacy of popular election.

At the same time, he governs Brazil lacking the solid support of his party since he became aligned with the dominant Brazilian Democratic Movement Party (PMDB) only shortly before the election. The PMDB is headed by Ulysses Guimaraes who is also the Speaker of the Chamber of Deputies and President of the Constituent Assembly. Guimaraes, who wants Sarney's job, commands a much stronger political base than Sarney.

In addition to this tenuous political position, Sarney inherited a floundering economy in South America's largest and potentially wealthiest country. Early in 1986, it looked as though Sarney's plans to dampen inflation by freezing prices and controlling wages would lead to economic recovery. For a time the outlook was very favorable. Annual growth was measured at seven

to eight percent, the trade surplus was estimated to exceed \$15 billion, and creditors accepted Brazil's offer of extending terms for another seven years.

During most of 1986, Sarney reaped the political rewards of this apparent stability and growth and the PMDB won a resounding victory in the mid-term elections. But the government had failed to gauge the strain of consumer spending and the price freeze. Freezing prices across-the-board, with the concurrent wage hike, increased real purchasing power and kicked off a consumption spree that brought in imports, discouraged exporting, and caused trade surpluses to fall. Enforcement became impossible and suppliers began to withhold goods rather than accept fixed prices.

When controls were lifted, this signalled the collapse of an 11-month-old government program to fight inflation. It sent both inflation and interest rates soaring, and gave the impression that the government had lost control of the economy.

While the initial success in 1986 had caused Sarney's popularity to soar, when things soured in 1987, it generated a damaging negative reaction. Galloping inflation, lack of economic growth and huge capital outflows all contributed to Sarney's political decline.

Ecuador

Population: 10,693,000.

Government: Republic.

Head of Government: President Leon Febres Cordero

GDP: \$11.90 billion.

Per Capita Income: \$1,160.

Defense Expenditures: \$166.15 million.

Armed Forces: Army—29,000; Navy—4,000 including 700 Marines; Air Force—4,000; Paramilitary—200.

Total Regular Armed Forces: 37,000.

Ecuador's fragile democracy came under severe stress through much of 1987, similar to the intimidating challenges it faced in 1986 and for most of its eight-year existence. The conservative presidency of Leon Febres Cordero was confronted by political turmoil, earthquake, economic strife, and by the obstructionism of a congress controlled by the leftist opposition.

Barely two weeks into the year, Febres was kidnapped by a band of disgruntled paratroopers who held the President and several dozen members of his military staff hostage until he agreed to amnesty for Gen. Frank Vargas Pazos, the jailed leader of an abortive rebellion in 1986. Febres ordered Vargas freed and, as a condition of his own release, signed a document granting full amnesty to his captors. The political consequences of that capitulation were to haunt Febres for the rest of the year.

When those who participated in the kidnapping were court-martialed and the President ignored a congressionally-mandated amnesty for Vargas, the leftist-

dominated legislature sought to have him impeached. That effort came to a quiet end when the military leaders who had remained strongly committed to the constitutional democracy let it be known that the legislature would be shut down in the event formal impeachment proceedings were undertaken.

That controversy was no sooner put to rest than a series of earthquakes struck the northeastern jungle region of Ecuador, causing at least 300 deaths, 4,000 missing and over 20,000 homeless. The quakes also destroyed some 24 miles of the country's 330-mile oil pipeline, forcing Febres to suspend oil exports for the remainder of the year. Projected revenue losses stemming from the suspension of oil exports were set by the president at \$1 billion, equivalent to more than half the national budget for 1987.

Febres announced that all payments on Ecuador's \$8.3 billion foreign debt would be canceled for 1987. Then he promptly imposed a host of austerity measures which sparked widespread condemnation among the working class and led to a series of general strikes further exacerbating Ecuador's dire economic condition.

Protesting workers and students were encouraged in their condemnation of Febres by the political opposition in congress who denounced his austerity measures and accused him of focusing on the economics rather than the human aspects of the earthquake tragedy. Having failed in their previous efforts to oust Febres, the left-wing opposition has turned its attention to the January 1988 presidential election in which the incumbent is ineligible to compete.

The importance of this election to the continuance of democracy in Ecuador is crucial. In the event that full power falls to the hands of people who appear bent on destroying civil and military authority, Ecuador, the first of the Latin nations to transition to democracy in 1979, could be the first to return to dictatorship. How Ecuador goes could portend the course of other fledgling republics in the area.

Peru

Population: 20,815,000.

Government: Constitutional republic.

Head of Government: President Alan Garcia Perez

GDP: \$19.37 billion.

Per Capita Income: \$1,010.

Defense Expenditures: \$702.61 million.

Armed Forces: Army—75,000 (50,000 conscripts, 180,000 reserves); Navy—23,000 (12,000 conscripts); Air Force—15,000 (7,000 conscripts); Paramilitary—51,600.

Total Regular Armed Forces: 113,000 (69,000 conscripts).

Once a leader in the move toward democracy in Latin America, Peru has lately shown signs of being one of the first countries in the region to be headed toward a

return to military rule. The burden is on 38-year-old President Alan Garcia Perez to act decisively to salvage Peru's tattered economy, counter a growing guerrilla war and face up to increased corruption resulting from a brisk cocaine trade. Garcia's fledgling democracy took a number of severe hits on each of its three problem fronts during 1987. The question now is whether he can survive another year like it.

Garcia was elected in 1985 on a platform which promised to gain control of the 250 percent annual inflation rate and to reorganize the economy, then in shambles. At his inauguration, he declared that Peru would restrict payments on its \$14 billion foreign debt to no more than 10 percent of annual exports. His bold, initial efforts to master the nation's economic tribulations seemed to be fruitful but they were short lived.

In June, Prime Minister and Economic Minister Luis Alva Castro resigned in a conflict with Garcia on the handling of the economic crisis. Alva's strict economic policies, adopted by President Garcia during the first 22 months of his presidency, helped rebuild Peru's economic growth rate to 8.5 percent and reduced inflation from 158 percent to 63 percent.

In October, the government enforced nationalization of Peru's banks by sending troops and tanks to the nation's top financial institutions, thereby putting the government in control of all the country's investments. Garcia's actions were viewed by business leaders and the middle class as a step toward a return to military dictatorship. Nationalization of the banks has further distanced Garcia from the business community and pulled his party, the American Popular Revolutionary Alliance (APRA) even further to the left.

In addition to its major economic woes, Peru has suffered from the worst terrorist violence it has experienced in many years. The Maoist Sendero Luminoso (Shining Path) guerrillas have set as their objective the destabilization of the already-shaky democracy. In September, 200 guerrillas fought a seven-hour battle against police forces in the largest attack in southern Peru since 1984. The leftist guerrillas' boldest move, however, was in June when 700 Shining Path guerrillas openly demonstrated in Lima to protest the army's massacre of 300 of their jailed comrades. The government raised not a finger to prohibit their demonstration.

The guerrillas have more recently been attracted to the huge profits of the coca growers in Peru's Upper Huallaga Valley as a means to finance their terrorist activities. They easily won support among the coca farmers, angry over U.S. and Peruvian government efforts to eradicate the illegal drug traffic.

The next presidential election in Peru is scheduled for 1990. Unless Alan Garcia eases up on state control of the economy by encouraging a return to free market strategies and unless he gives his generals freer rein to crush the guerrilla insurgents, he may very well not be around to participate.

Bolivia

Population: 6,702,000.

Government: Republic.

Head of Government: President Victor Paz Estenssoro

GDP: \$5.44 billion.

Per Capita Income: \$470.

Defense Expenditures: \$93.91 million.

Armed Forces: Army—20,000 (15,000 conscripts);

Navy—3,600 (1,000 Marines, 1,800 conscripts); Air

Force—4,000; Paramilitary—19,000.

Total Regular Armed Forces: 27,600.

Several other South American governments are closely watching President Victor Paz Estenssoro's free-market economic policies to see if they continue to show success and restore Bolivia to financial responsibility. Though problems remain, the efforts undertaken so far by the administration in La Paz have been courageous and innovative.

In the past two years, the Bolivian government has shown great responsibility in matters concerning its economy and external debt. Through austerity measures imposed by new government policies, Bolivia has impressed international lending institutions and in turn has acquired the financial assistance needed to bolster the improving economy. In 1987, after seven years of stagnation, Bolivia's economy grew by 2.2 percent. For the second straight year inflation has declined—to 10 percent from 20 percent in 1986 and an astronomical 26,000 percent in 1985.

As a result of Bolivia's financial austerity the International Monetary Fund agreed in July to provide a three-year \$173.3 million loan. The Fund also established a voluntary contribution account to further assist the Paz administration in eradicating some of its outstanding commercial bank loans at a discount. Since 1983, Bolivia had not serviced any of its \$4 billion foreign debt, but this year that trend was broken when the government repurchased \$1 billion in outstanding debt from commercial banks at a cost of \$150 million.

An escalation of internal strife was caused by the decline of world tin prices, one of Bolivia's highest foreign currency earners. This factor and the tough austerity measures were seen as the main reasons for the 1986 layoffs of 20,000 employees of the state-owned mining company and for a 20 percent unemployment rate this past year. Early in the year, a wave of strikes by both teachers and oil workers disrupted the country as they demanded increased wages and an end to the layoffs of government workers. The despair felt by some has turned them to growing coca for sale to the nation's cocaine producers.

Bolivia, second only to Colombia in processing cocaine, is fighting an uphill battle in the war on drugs. The use of American Blackhawk helicopters and pilots has helped, yet cocaine has still become the country's second largest export. Corruption in the anti-drug effort

has reached all levels. Interior Minister Fernando Barthelemy, leader of Bolivia's premier anti-drug force the "Leopards," was forced to resign his post when a congressional inquiry found he was on the payroll of drug traffickers.

With the economy falling into place due to the austerity measures, the Paz administration should witness a declining unemployment rate in the new year. Realizing that prosperity is born of hardship, President Paz' efforts to rejuvenate the economy have been admirable. Now he faces another aggravating challenge, the war on drugs.

Argentina

Population: 31,865,000.

Government: Republic.

Head of Government: President Raul Alfonsin

GDP: \$67.87 billion.

Per Capita Income: \$2,130.

Defense Expenditures: \$1.37 billion.

Armed Forces: Army—45,000 (25,000 conscripts,

250,000 reserves, 200,000 National Guard, 50,000

Territorial Guard); Navy—20,000 (2,000 con-

scripts, 77,000 reserves); Air Force—13,000 (3,000

conscripts, 50,000 reserves); Paramilitary—27,000.

Total Regular Armed Forces: 78,000 (30,000 conscripts).

Four years have passed since Argentineans ended military rule and elected the civilian government headed by President Raul Alfonsin. Initially very popular, Alfonsin's political fortunes have risen and fallen depending on the state of the economy. In 1987, Alfonsin faced his biggest crisis.

On April 17, 1987 some 50 or 60 army officers seized the Infantry School near Buenos Aires and demanded an end to the prosecution of armed forces personnel for alleged human rights violations during the six years of military rule that preceded Alfonsin's election. This was one of several similar uprisings in other army barracks. As the result of the President's direct involvement, the rebel officers surrendered, but their demands were met by the passage of the Law of Due Obedience which decreed that all military crimes committed in the execution of duty between 1976 and 1983, by those below the rank of colonel, would not be subject to prosecution.

This supposedly signaled an end to the investigations, indictments and trials of the military officers charged with committing atrocities during Argentina's recent "dirty war." Equally important, it was a reminder that the military remains a strong force in Latin America politics.

Whereas, economic reform seemed to be working for Argentina in 1986, by the end of 1987 the economy was back in trouble. The need to service its heavy foreign debt of \$54 billion prevented necessary investment expansion and modernization. Also, Argentina continued to be burdened by a large, cumbersome and inefficient

bureaucracy; large state enterprises were losing money and there was a constant drain of capital leaving the country. By mid-year, with the removal of price controls inflation was again rampant with monthly rates of eight percent in June, 10.1 percent in July, and 13.7 percent in August. At the same time, real wages fell, the deficit grew and both the trade surplus and foreign currency reserves dropped off drastically. These factors posed a major economic crisis causing rapid erosion of public confidence in the Alfonsin government.

Then came the elections of September 1987. Up to this time, President Alfonsin and his Radical Civic Union had enjoyed a majority. With the economy floundering, confidence slipped badly during the year, resulting in a major victory of the Peronists in the 6 September voting. The Radicals not only lost their absolute majority in the lower house of Congress, but dropped 16 of 22 provincial governor races, including Buenos Aires with about 40 percent of the electorate.

In August, the government signed a \$34 billion debt restructuring agreement, which also promised \$1.95 billion of new money from commercial banks and \$1 billion from the International Monetary Fund. Because Argentina will continue to need help far into the future, the government has reimposed wage and price freezes of unspecified duration.

Argentina is still very much in the experimental phase of a democracy, and so far has been unable to get the national economy on track. This is currently the greatest threat to the democratic process in the second largest nation on the South American continent.

Chile

Population: 12,518,000.

Government: Military junta.

Head of Government: President Augusto Pinochet Ugarte

GDP: \$16.71 billion.

Per Capita Income: \$1,430.

Defense Expenditures: \$475.27 million.

Armed Forces: Army—57,000 (30,000 conscripts); Navy—25,500 (2,000 conscripts); Air Force—15,000; Paramilitary—27,000; Reserves: 100,000 (all services).

Total Regular Armed Forces: 97,500 (32,000 conscripts).

It has been 15 years since the coup that deposed the elected Marxist government of Salvador Allende. Since then, the country has existed under the right wing dictatorship of Gen. Augusto Pinochet Ugarte.

The plebiscite of 1980 which approved Chile's constitution, requires the commanders of the armed services to select a successor for president beginning March 11, 1989. A yes-or-no plebiscite is needed to approve the Generals single candidate. A favorable vote would mandate an eight-year term, while a "no" vote would keep the current government for one year, during which time a competitive election would be held.

Pinochet leaves no doubt that he would like to be the official candidate and retain the presidency until 1997. It's not at all clear, however, that he would win a popular vote. Public opinion polls give him no more than a 23 percent preference.

With an expected election now only a few months away, politicians across the spectrum (Marxist parties are illegal) would like to change the one-man plebiscite to an open election, but such a move is doubtful since it would require modification of the constitution. As an alternative, the opposition will probably try to convince the people to vote "no" in the plebiscite which would require the scheduling of free elections the following year.

Without a doubt, the biggest obstacle to the continuation of a Pinochet presidency is his abhorrent record of human rights abuses. His untoward record was further marred last year by the burning death of 19-year old-Rodrigo de Negri, an American citizen, who, along with Chilean Carman Gloria Quintana, was doused with flammable liquid and set afire by soldiers for alleged participation in an antigovernment protest. Furthermore, during a visit in April, Pope John Paul II publicly condemned the Pinochet regime as dictatorial.

The Reagan administration has regularly protested human rights abuses by Chile since 1983, but has stopped short of actual economic sanctions. The U.S. lost much of its influence during the Carter administration when military and economic aid to Chile were cut off. Potential leverage by the U.S. now lies in its influence on loans to Chile by international financial institutions.

The economic picture in Chile is generally good news. During the Pinochet regime, the economy was transformed from a government-dominated system to one espousing free market conditions.

Chile suffered a period of serious recession from 1981 to 1983 when GDP plunged and joblessness soared, but has since made a remarkable recovery by selling off many state-owned companies and expanding exports beyond its old dependence on copper.

Today, Chile is the one Latin American country that is making a significant effort to pay off its foreign debt on schedule, witnessed by the fact that Chile's debt was cut by \$1.2 billion last year and expects another \$1.8 billion reduction this year. It has taken a lead through the so-called debt-equity trades where debt is bought from creditor banks at discount.

Although the polls show that a majority of the Chileans do not favor continuation of Pinochet's governance, most people recognize that he has stacked the deck in his own favor and thus expect him to retain his office.

Even with the unlikely circumstance of election of a civilian president, Pinochet would remain the most powerful person in Chile by virtue of his position as Army Commander in Chief and Chief of the National Security Council. Either way, Pinochet does not stand to lose.

CONCLUSION

From this review of the significant events around the world it is clear that the cause of peace was no less threatened at the end of 1987 than at the beginning of the year. Throughout the world, where war, civil strife or extreme want prevailed in January, it was to be found in equal or greater severity in December. From these observations we are led to the conclusion that our world remains a volatile place where peace is not inevitable and democratic institutions cannot fully develop without high cost and heavy sacrifice by those who seek these benefits.

Our continent-to-continent itinerary revealed numerous instances where international and regional institutions were sorely challenged when they sought a peaceful settlement to hostilities or a reasonable order in place of social instability. While some people of

Western Europe felt relief from the sting of earlier economic recession, their Eastern cousins were forced to endure the inequities inherent in life under the totalitarian banner. War and revolution continued to exact a fateful toll in the Middle East, Africa and South Asia. Latin Americans found that having a greater voice in how they run their lives did not come cheaply.

Based on what happened during 1987, we should not face 1988 in a state of shock or alarm, but we certainly must not approach it with complacency. All of the challenges we faced last year are still with us as we enter a new year. It is incumbent upon us all to respond adequately to them. Our national resolve must be strong enough to bear up under the sacrifice of effort and treasure that will be needed.



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