CHANGE AND CHALLENGE—
THE SEARCH FOR PEACE IN 1988

A GLOBAL ASSESSMENT

ASSOCIATION OF THE UNITED STATES ARMY
CHANGE AND CHALLENGE — THE SEARCH FOR PEACE IN 1988
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<td>January 6</td>
<td>Soviets announce intent to withdraw from Afghanistan.</td>
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<td>January 13</td>
<td>Taiwan’s President, Chiang Ching-kuo, dies.</td>
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<tr>
<td>February 25</td>
<td>Soviets remove East German missiles in first step of INF treaty.</td>
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<tr>
<td>February 26</td>
<td>Panama’s president Eric Arturo Devalle ousted, plan to fire Noriega fails.</td>
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<tr>
<td>March 16</td>
<td>Iraqi poison gas attack kills Kurds in Iraqi town.</td>
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<td>March 17</td>
<td>U.S. troops sent to Honduras in response to reported Nicaraguan incursion.</td>
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<tr>
<td>March 23</td>
<td>Nicaragua signs cease-fire accord with Contras.</td>
</tr>
<tr>
<td>March 26</td>
<td>Moscow bars Armenian reunification bid; military cracks down.</td>
</tr>
<tr>
<td>April 5</td>
<td>Added U.S. troops sent to Panama to protect bases.</td>
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<tr>
<td>April 18</td>
<td>U.S. sinks six Iranian vessels in Persian Gulf battle.</td>
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<tr>
<td>May 8</td>
<td>Mitterrand re-elected President of France.</td>
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<td>May 8</td>
<td>Rodrigo Borja Cevallos elected President of Ecuador.</td>
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<tr>
<td>May 15</td>
<td>First Soviet troops begin withdrawal from Afghanistan.</td>
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<td>May 26</td>
<td>Vietnam announces withdrawal of troops from Cambodia.</td>
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<tr>
<td>July 3</td>
<td>U.S. Navy shoots down Iranian jet liner over Persian Gulf.</td>
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<td>August 4</td>
<td>Floods leave millions homeless in Bangladesh.</td>
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<td>August 8</td>
<td>Angolan-South African truce declared following U.S.-mediated talks.</td>
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<tr>
<td>August 17</td>
<td>Pakistani President Zia killed in plane crash; sabotage suspected.</td>
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<tr>
<td>August 20</td>
<td>Cease-fire takes effect in Gulf War.</td>
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<tr>
<td>August 30</td>
<td>Morocco, Sahara rebels accept UN peace plan.</td>
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<tr>
<td>September 17</td>
<td>Haiti—Military noncommissioned officers oust President Namphy; install Gen. Prosper Avril as new leader.</td>
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<td>September 18</td>
<td>Gen. Saw Maung stages coup in Burma, hundreds killed.</td>
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<tr>
<td>October 3</td>
<td>Libya—Chad restore ties; war formally ends.</td>
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<tr>
<td>November 8</td>
<td>George Bush elected President of the United States.</td>
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<tr>
<td>December 1</td>
<td>Benazir Bhutto named Prime Minister of Pakistan.</td>
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<tr>
<td>December 1</td>
<td>Salinas becomes President of Mexico.</td>
</tr>
<tr>
<td>December 4</td>
<td>Carlos Andres Perez elected President of Venezuela.</td>
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<tr>
<td>December 7</td>
<td>Gorbachev announces European troop reductions.</td>
</tr>
<tr>
<td>December 7</td>
<td>Soviet Armenia hit by massive earthquake; 50,000 feared dead; 500,000 homeless.</td>
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</tbody>
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IN 1988

INTRODUCTION

This presentation identifies some of the conditions and events—military, social, economic and political—of a number of selected countries throughout the world and assesses their impact on both world and regional security. We have attempted to highlight those which directly affect the security interests of the United States.

The dominant message from 1988 is one of change and the need for the United States to both lead and accommodate realistically to world dynamics. We see changing balances and greater interdependence along with continued third world turbulence.

Some very significant events occurred during this past year which are going to mold the course of world events into the 20th century—some positive and some negative, but there is a great stirring of the pot.

Ten years ago, Robert J. Samuelson wrote in *The National Journal*:

> We haven’t become weaker so much as other nations have become stronger. All our advantages have eroded: the overwhelming military dominance, the unquestioned economic stability, the unsurpassed technological superiority, the boundless natural resources. We confront a world in which nations still aren’t equal, but are less unequal.

While the United States does not enjoy the economic primacy of post-World War II, it is very much the dominant superpower in terms of combined economic and military strength. How we react as a nation and how we exercise national leadership does make a difference. We have global interests and responsibilities. At the same time, we are increasingly dependent on world resources and there is a growing interdependence in terms of world trade and a world economy.

Our long term economic and security interests are clearly interrelated, and the American people must understand that security policies, including forward deployments of forces, are based on the need to further our national interests and not simply for altruistic motivations.

Managing change is what we as a nation are facing and this requires clear, fresh and positive thinking.

The assessment of the events of our world in 1988 is a project of the AUSA Institute of Land Warfare under its director, LTG Richard L. West, USA Ret. COL Thomas D. Byrne, USA Ret., was the principal editor for the sixth year. The major contributors to this work were: GEN Glenn K. Otis, GEN Frederick J. Kroesen, GEN Robert W. Sennewald and GEN John R. Guthrie, all USA Ret., MG Robert F. Cocklin; AUS Ret., and Thomas J. Lang and Patrick J. Donovan, staff members of the Institute of Land Warfare. MSGT (Ret.) George E. Ehling compiled the vital statistics for each nation and maintained the daily files essential to this effort. Lori Johnston and Ginger Terry provided crucial administrative assistance. Final responsibility for resolving differences of opinion rested with the undersigned.

JACK N. MERRITT
General, USA Ret.
Executive Vice President

EDITORS NOTE: Since we do not cover each of the 217 nations of the world, the selection of countries for this report is a subjective judgement made after a review of a great variety of sources. The grouping of nations by region is likewise a subjective call. The major sources for the demographic information in each section are: *The Military Balance 1988-1989*, The International Institute for Strategic Studies, London, and *The World Almanac and Book of Facts 1989*, Pharos Books, New York.
As the North Atlantic Treaty Organization enters its 40th year, that alliance continues to be confronted by internal and external factors that affect its cohesion and its commitment to the maintenance of a credible defense posture. The recently-signed Intermediate-range Nuclear Forces (INF) Treaty coupled with Soviet President Mikhail Gorbachev's announcement of unilateral force reductions have contributed to difficulties for NATO leaders in maintaining public support for current force levels and modernization efforts in Europe. Within the western alliance, growing resentment of military training activities, base-rights controversies in Spain and Greece, and the continuing burden-sharing argument have tested the resolve of some of the 16 partners.

Throughout the past year, the balance of military forces between NATO and the Warsaw Pact has been the subject of intense debate. In November, the North Atlantic Treaty Organization released its first comprehensive force comparison of the military balance in Europe since 1984. That report revealed substantial Warsaw Pact advantages in virtually all military categories and particularly in major offensive weapons such as tanks, artillery, armored vehicles, helicopters and combat aircraft. The NATO report will be used in outlining the NATO positions for the upcoming Conventional Forces in Europe (CFE) talks scheduled for March 1989 in Vienna.

Then, on December 7th, the Soviet President, in a speech to the United Nations, announced that the Soviet Union would unilaterally reduce the number of its troops and weapons in Warsaw Pact countries and the western section of the Soviet Union as part of an overall cut in military strength. United States and NATO officials applauded the announcement of Soviet reductions but cautioned that even if the announced cuts were eventually carried out, NATO would still be significantly outmanned and outgunned in Europe. Adm. William J. Crowe Jr., Chairman of the US Joint Chiefs of Staff, warned that the promised Soviet reductions of 500,000 troops, 10,000 tanks, 8,500 artillery pieces, and 800 combat aircraft “will fall far short of redressing the conventional imbalance in Europe.”

Nevertheless, Gorbachev’s announcement of Soviet force reductions was made at an opportune time for the Warsaw Pact. The general public in many Western European countries—particularly in West Germany—is growing increasingly intolerant of NATO exercises, which they see as a threat to their safety and environment, and of huge NATO defense expenditures which strain their economies. The effect of Gorbachev’s public relations campaign on the citizens of West Germany is obvious. Whereas in 1980 polls showed that 71 percent of West Germans saw the Soviet Union as a threat to peace, today the figure is down to 11 percent. Recent Soviet pronouncements of a “strategy of sufficiency” and emphasis on “active defense” have also contributed to a lower assessment by Westerners of the threat of Soviet expansionism.

In a further effort to promote force reductions by NATO, and to set the Warsaw Pact position for the CFE talks, Moscow released its own version of the military balance in Europe in January 1989. They acknowledged some Warsaw Pact advantages but, by using different counting criteria (such as counting NATO naval forces in the Atlantic which are not part of the Vienna talks), the Pact drastically softened its own advantages in troops, tanks, artillery, and warplanes. By juggling the figures the report published by the Communist Party newspaper, Pravda, even created some NATO advantages—at least on paper. The Warsaw Pact report concluded that a “rough parity” of military force existed in Europe. That conclusion was promptly rejected by NATO Secretary General Manfred Woerner and nearly every NATO member.

### THE MILITARY BALANCE IN EUROPE

<table>
<thead>
<tr>
<th>Category</th>
<th>Warsaw Pact</th>
<th>NATO</th>
<th>Warsaw Pact</th>
<th>NATO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Personnel</td>
<td>3,573,000</td>
<td>3,660,000</td>
<td>3,090,000</td>
<td>2,213,000</td>
</tr>
<tr>
<td>Tanks</td>
<td>59,470</td>
<td>30,690</td>
<td>51,500</td>
<td>16,412</td>
</tr>
<tr>
<td>Artillery</td>
<td>71,560</td>
<td>57,060</td>
<td>43,400</td>
<td>14,458</td>
</tr>
<tr>
<td>Armored vehicles</td>
<td>70,330</td>
<td>46,990</td>
<td>93,400</td>
<td>39,502</td>
</tr>
<tr>
<td>Combat aircraft</td>
<td>7,876</td>
<td>7,130</td>
<td>8,250</td>
<td>3,972</td>
</tr>
<tr>
<td>Combat helicopters</td>
<td>2,785</td>
<td>5,270</td>
<td>3,700</td>
<td>2,415</td>
</tr>
</tbody>
</table>

Note: Differences in estimates by NATO and the Warsaw Pact of each alliance’s military strength are the result of different definitions and criteria. For example, Warsaw Pact numbers include small tanks and those in storage while NATO figures count only deployed “main battle tanks”. NATO counts only artillery of 100mm or larger while the Warsaw Pact includes mortars and rockets of 50mm or larger in its estimates. The Warsaw Pact estimate includes aircraft, helicopters and troops stationed on naval vessels while NATO’s does not.
Compounding the difficulty NATO will have in resisting reductions in its own force levels were the successive announcements, following Gorbachev’s speech, by all the Warsaw Pact countries (except Romania) of their own troop reductions or cuts in defense expenditures.

NATO governments will be hard pressed to resist the temptation to respond to these Warsaw Pact announcements of planned force reductions with reductions of their own. It could be extremely dangerous to base such momentous decisions on Soviet words rather than verifiable Soviet deeds. For now, the best path to conventional stability appears not through hasty reductions based on public pressures, but through detailed negotiations such as those planned for Vienna in March. For the United States and our NATO allies, the best policy for the time being is one of maintaining a credible deterrent force while adopting a wait-and-see attitude concerning the intentions of the other side.

WESTERN EUROPE AND THE NATO NATIONS—REACTING TO CHANGE

In the political sense, 1988 was a year of trepidation and expectancy concerning matters of the defense of Western Europe and the future of the North Atlantic Alliance. Chief among the significant defense actions was the beginning of the end for Pershing II and Ground Launched Cruise Missiles. Not so widely noted was the Dutch decision for greater defense specialization by eliminating duplicative service roles and the force structure to perform them. That was a positive step that could bear emulation by other NATO nations.

But, on the whole, the pervasive feature of defense community thinking was an attitude of anticipation, perhaps apprehension. The ultimate meaning of the INF treaty and its impact on strategic concepts and on force requirements and disposition is still to be determined, and there was little official effort generated in 1988 to resolve such issues. The lack of definition in the ongoing arms control, disarmament and force reduction talks further diffused the focus. Both the American presidential campaign and the troop reduction initiatives announced by Mikhail Gorbachev contributed to a wait-and-see attitude at the higher levels of government in the Atlantic Alliance.

Twelve West European nations are working diligently toward the creation, by 1992, of a unified trading market—a United States of Europe. The general plan—to mold the 12-nation trade bloc into a single market, where goods, capital and people can travel freely—will have to overcome hundreds of years of deep-seated distrust and deep-rooted nationalism if it is to achieve the desired political unity.

By far the most serious cloud overhanging NATO, however, was made up of two inter-related issues: the American demand for greater burden-sharing among the allies and the European proffer of large loans to the Soviet Union. The latter, described as business opportunities by the European lenders and their supporting governments, will give ammunition to those who believe that money used for the bailout of Moscow’s sick economy could be better used to reduce America’s overweighted share for NATO.

**United States of America**
- Population: 245,320,000.
- Government: Democracy.
- Head of Government: President George Bush
- Per Capita Income: $17,480.
- Defense Expenditures: $291.6 billion.
- Armed Forces: Army—776,400 (Army National Guard 462,100, Army Reserve 601,100); Navy—585,000 (226,500 reserves, 198,200 Marines, 86,800 Marine Reserves); Air Force—603,600 (Air National Guard 114,600, Air Reserve 128,700); Coast Guard—36,300 (20,800 reserves).
- Standby Reserves: 37,900 (all services).
- Retired Reserves: 176,600 (all services).
- Forces Abroad: 525,560.
- Total Regular Armed Forces: 2,199,500.

(NOTE: We present this demographic, economic and defense information for the reader’s use in making comparison with the other nations of the world.)

**Canada**
- Population: 25,922,000.
- Government: Confederation with parliamentary democracy.
- Head of Government: Prime Minister Brian Mulroney
- GDP: $420.81 billion.
- Per Capita Income: $14,120.
- Defense Expenditures: $8.83 billion.
- Armed Forces: Army—22,500 (17,200 reserves); Navy—10,000 (3,600 reserves); Air Force—23,100 (1,000 reserves); Paramilitary—6,560 Coast Guard.
- Forces Abroad: 5,359.
- Total Regular Armed Forces: 84,600.

During the past year Canadians were forced to examine their nation’s relationship with its powerful neighbor to the south—the United States. Overcoming strident appeals to nationalism and latent fears of being economically swallowed up by the United States, Canada gave approval to the U.S.-Canada free trade agreement, the largest of its kind in the world.

On January 2nd President Reagan and Canadian Prime Minister Brian Mulroney signed the accord which
would remove all remaining trade barriers between the two nations over the next ten years. The U.S. Congress approved the agreement in September and it appeared headed for approval in the Canadian Parliament until Liberal Party leader John Turner announced his opposition. He claimed the accord would undermine Canadian independence and turn that nation—larger than the U.S. geographically but with one-tenth the population and economic clout—into the 51st state.

Facing a parliamentary crisis, Mulroney scheduled new elections for November 21. The heated campaign essentially became a referendum on the trade pact. Two weeks before the election, polls showed the two parties even, but an active last-minute defense of the economic benefits of the accord enabled Mulroney to win by a decisive margin.

By 1998 all U.S.-Canada trade is to be duty free. Presently about 70 percent is duty free. The economic relationship between Canada and the U.S. is unprecedented in its scope. Trade between the two neighbors totaled more than $166 billion last year. Over 75 percent of Canadian exports go to the U.S. while 70 percent of imports come from there.

Cooperation on the economic front was matched by similar accommodation on defense issues. In January, Ottawa and Washington signed an Arctic cooperation pact whereby the U.S. pledged to obtain Canadian consent before sending its ships through waters claimed by Canada. That agreement capped two years of negotiations over the issue of Canadian territorial sovereignty in which Canada claimed the Northwest Passage, which links the Atlantic and Pacific Oceans, as an integral waterway.

Canada and the United States share the longest unguarded national border in the world—almost 3,000 miles. With the new trade pact we will also share the largest bilateral free market in the world. The success of this North American economic market could be a crucial counterweight to the European Economic Community's planned integration in 1992.

At the end of 1987, this journal anticipated that 1988 in Great Britain "should be a stable year in which their conservative government (would) continue to build steadily on the foundation it has been constructing." The words were right on the mark. In spite of some bitter opposition, the Thatcher government continued to dismantle the socialistic programs of the welfare state in the obvious belief that they had a voter mandate to do so. Cracks and weak spots in the program notwithstanding, the year was another of prosperity, increased employment, and generally good news. A growing budget deficit and an imbalance in foreign trade are developing problems, but these generated intellectual rather than practical political reaction, particularly after Britain consummated a huge arms sale to Saudi Arabia.

The sale—promoted as much by the restrictions on arms deliveries to the Arabs established by the U.S. Congress as by the British products—vaulted Britain over the United States as the top arms supplier to the Saudis and into third place among all the world's arms merchants. The British success seems to be vindication of low-key, low-profile, cordial, and undramatic diplomacy they have played in the Middle East for over 30 years. But this sale coupled with Mrs. Thatcher's decisions to develop a new Chieftain II tank—rather than buy the American Abrams—and to allow British banks to lend money to the Soviet Union assumes a lively debate issue for the "burden sharers" in the U.S. Congress in 1989.

In the European Community, Britain continues to voice reticence, caution, and non-commitment regarding anything other than commercial opportunities for the members. Forming a political entity (a United States of Europe) or the establishment of a common currency are anathema to the Thatcher government which will guard jealously any real or apparent infringement on British sovereignty.

The rush of Europe to embrace Mikhail Gorbachev and his promises of reform has also afflicted the British. Mrs. Thatcher, while opposing the thought of British taxpayers subsidizing the Soviet economy, has nevertheless fauded Gorbachev and the worldwide benefits his policies promise and has allowed British banks to negotiate a $1.78 billion letter of credit on behalf of the USSR. Her expression that "We're not in a Cold War now" but in a "new relationship," has tempered her earlier words of caution.

Northern Ireland's war against the Irish Republican Army continued with a new wave of terrorist bombings, shootings, and burnings that disrupted the summer. Stepped-up countermeasures followed, but the most telling long-term blow may be the government's ban against publicizing the activities of the terrorists and their supporters. Despite a furor over the British equivalent of a U.S. First Amendment protest, depriving the IRA of the free publicity and public notoriety it activities and people have enjoyed for years, could help reduce the incentive for some terrorist operations.

Great Britain

Population: 56,271,000.
Government: Constitutional monarchy.
Head of Government: Prime Minister Margaret Thatcher
GDP: $609.69 billion.
Per Capita Income: $8,870.
Defense Expenditures: $33.76 billion.
Armed Forces: Army—158,400, (includes 7,700 Gurkas, 250,700 reserves); Navy—64,800, includes Marines (30,300 reserves); Air Force—93,500 (35,100 reserves); Strategic Forces—2,100.
Forces Abroad: 89,304.
Total Regular Armed Forces: 316,700.
Denmark
Population: 5,125,000.
Government: Constitutional monarchy.
Head of Government: Prime Minister Poul Schluter
GDP: $97.36 billion.
Per Capita Income: $12,600.
Defense Expenditures: $1.97 billion.
Armed Forces: Army—17,000 (6,800 conscripts, 55,000 reserves); Navy—5,400 (900 conscripts, 7,600 reserves); Air Force—6,900 (700 conscripts, 11,700 reserves).
Forces Abroad: 320.
Total Regular Armed Forces: 29,300 (8,400 conscripts).

On April 14, the majority opposition parties of the Danish Folketing (parliament) passed, for the 23rd time, a resolution requiring the government to notify visiting warships of Denmark's ban on nuclear weapons. This time the verbiage was stronger, challenging the NATO policy of neither confirming nor denying the presence of nuclear weapons aboard NATO ships.

The Prime Minister, Poul Schluter, and his cabinet resigned, triggering the election of a new Folketing on May 10th. That election was to be a referendum on Denmark's NATO membership, and the result—described as a "resounding maybe" in the Danish press—was the return of the same minority coalition to power with very little change in its makeup.

Recent polls of the Danish citizenry show that 61 percent favor NATO membership while 82 percent favor a nuclear-free country. Forty-six percent want no nukes, even if it means exclusion from NATO, and only 24 percent think the Warsaw Pact is a threat. The mixing of that recipe by the voters proved only that they were unable to come to a clearcut decision on the issue.

On June 7th, a quiet announcement out of Washington informed the world that Denmark and the United States had resolved their misunderstanding and that NATO warships would continue to call at Danish ports. The Danish government will continue to presume that other NATO nations will accommodate to the ban on weapons in the same manner the Danes have in the past, i.e., looking the other way, as they have for the 31 years the ban has been in effect.

France
Population: 55,506,000.
Government: Republic.
Head of Government: President Francois Mitterrand
GDP: $877.05 billion.
Per Capita Income: $10,720.
Defense Expenditures: $31.88 billion.
Armed Forces: Army—280,900 (183,200 conscripts, 305,000 reserves); Navy—66,500 (19,000 conscripts, 28,000 reserves); Air Force—95,000 (34,300 conscripts, 58,000 reserves); Paramilitary—87,400 (10,100 conscripts).
Forces Abroad: 86,840.
Total Regular Armed Forces: 456,900 (236,500 conscripts).

The election of 1988, which for months was almost the only news coming out of France, provided another example of the indecision, perhaps irresolution, of the electorate of Western nations when dealing with some of the more complex issues of the day. President Francois Mitterrand was re-elected resoundingly, but when he attempted to crown his success by scheduling an immediate election of a new legislature, the Socialist party failed to gain a majority. Moreover, the Socialists found themselves lacking the partners needed to form a coalition government.

The result of all this is a Prime Minister, Michael Rochard, who heads a minority government that will attempt to legislate by attracting sufficient support, issue by issue, from enough of the smaller party representatives to actually govern France.

In the international arena, relations between France and the Soviet Union thawed somewhat with the announcement of their determination to negotiate conventional force reductions. France and West Germany pursued their joint force initiative by activating an international brigade in Stuttgart, Germany. The two governments have also formed a bilateral defense council to coordinate strategies and policies. France and Iran have re-established diplomatic relations and the French withdrew four of their eleven ships from the Indian Ocean.

Within NATO, France pursued aims of a very practical nature. The integration of French forces in NATO exercises and plans, the commitment of French support areas and installations for NATO use, and the continued determination to develop and deploy the Hades, (a replacement missile for the Pluton) were all addressed and vigorously attended. Among the observers of these French initiatives are many who speculate that the emergence of French hawkishness stems from concerns that arms control, force reductions, and burden-sharing agitation will reduce United States commitment and demand a unifying European leadership, a role the French seem more than willing to accept.
France has also shown a willingness to join the rush to help underwrite Gorbachev's economic restructuring. The French are expected to lend the Russians approximately $2 billion, an amount that would contribute significantly to relieving complaints about burden-sharing if it were instead committed to NATO.

**Netherlands**

Population: 14,630,000.
Government: Parliamentary democracy under a constitutional monarch.
Head of Government: Premier Ruud Lubbers
GDP: $214.32 billion.
Per Capita Income: $10,020.
Defense Expenditures: $7.31 billion.

**Armed Forces**

- Army—66,000 (43,000 conscripts, 146,500 reserves, 5,100 Home Guard); Navy—17,100 includes naval air and Marines (1,600 conscripts, 19,700 reserves); Air Force—18,100 (5,000 conscripts, 6,000 reserves). Paramilitary—8,650 (400 conscripts).

**Forces Abroad:** 2,930.
**Total Regular Armed Forces:** 106,100 includes 3,900 royal military constabulary and 1,000 inter-service organizations (50,000 conscripts).

Once again Dutch soil was a battleground for international terrorism when Irish Republican Army terrorists attacked British soldiers, killing three and wounding three with typical car bomb and ambush tactics in the border area around Brunssum.

But the most significant security-related news from The Hague in 1988 concerned a decision to revise its defense policies and programs. For years, a standing criticism of NATO nations has been that, collectively, there is a terrible waste of effort and resources because each nation insists on maintaining a complete defense establishment—an army, navy and air force of multiple branches and capabilities—when specialization by different nations could be much more cost effective.

The Dutch defense program for 1989 and beyond takes a step toward specialization. Air reconnaissance is to be abandoned and the budgets of the Air Force and Navy are to be reduced in favor of increasing that of the Army. The emphasis will be to strengthen the 1st Netherlands Corps—the main component of their force committed to NATO's Northern Army Group. The change is a conscious decision to improve the Dutch contribution to NATO. It is not one driven entirely by an effort to achieve cost savings. As a matter of fact, the overall defense budget will continue to grow—by 0.6 percent in 1989 and 1990, two percent thereafter.

It is anticipated that these policy changes will result in the procurement of additional attack and transport helicopters, improved command, control, communications and intelligence systems and more effective air defense and electronic warfare capabilities for the Dutch Army. The benefits to NATO's combat power could be substantial.

**Federal Republic of Germany**

Population: 60,931,000.
Government: Federal republic.
Head of Government: Chancellor Helmut Kohl
GDP: $1.119 trillion.
Per Capita Income: $12,080.
Defense Expenditures: $30.31 billion.

**Armed Forces**

- Army—332,100 (175,900 conscripts, 716,000 reserves); Navy—36,400 including naval air (8,600 conscripts, 26,000 reserves); Air Force—108,700 (38,100 conscripts, 104,000 reserves); Inter-service staffs—11,500; Paramilitary—21,000.

**Total Regular Armed Forces:** 488,700 (222,600 conscripts).

The people of West Germany experienced a turbulent political year despite the absence of national elections in 1988. The Bonn government dealt with reaction to the INF Treaty, modernization of short-range nuclear systems, a resurgence of Ostpolitik, the extension of sizable monetary credits to the Soviet Union, a flood of refugees from the East, a growing dissatisfaction with allied military presence, the conscription of married men into the armed forces, and even an inquiry concerning the "German Question," i.e., unification of the two Germanies. Trends, consistencies, or priorities among these interests were not easy to identify and conflicting signals made analysis difficult—hence an interesting year for hindsight observation.

The INF Treaty flowered in German consciousness, first as a gratifying response to Germany's endorsement of the "zero-option" proposed by President Reagan in 1982, then as an unexpected threat to security and finally as an accelerator for the problem of modernization of the shorter-range nuclear delivery systems. At year's end Chancellor Helmut Kohl seemed to be opposed to denuclearization while in favor of modernization of the American LANCE missile system. Meanwhile, the Social Democrats and the Greens party voice their adamant opposition to anything short of complete denuclearization. They demand a ban against weapons modernization, total arms reduction, and immediate allied force withdrawals.

The revival of Ostpolitik in 1988 was dramatic. Diplomatic contacts with the Russians involved high government figures leading a horde of businessmen anxious to make deals and extend credit to Soviet economic agencies. The effort was broad, extending to other Warsaw Pact states as Germany exchanged economic credits for emigration permits and improved human rights for those ethnic Germans who live behind the Iron Curtain. West German reasoning for these initiatives is that improved economic ties will help bind the Eastern bloc to the West and will reduce many of the tensions that now exist.

The crash of several Italian military aircraft at an American air-show in Ramstein killed 47 people and seemed to be the catalyst for German irritation over a large foreign military presence. Military exercises, field
Maneuvers and low-level jet flights are becoming major irritations to Germans who have had to tolerate them for years because of the stationing of allied military forces on their land. The people of Hesse revolted against a central government agreement to allow American helicopters into a base near Wiesbaden. The Hessian Parliament’s vote to defy Bonn’s decision was a first.

A flood of German refugees from the East, generated by Russian and other bloc nations’ relaxation of emigration rules, is reaching very significant numbers. Two hundred thousand emigrated to Germany in 1988—from Russia, Romania, Poland, Czechoslovakia—and up to two million are expected to arrive in the next few years. That these people will create significant economic and social problems is not unforeseen, but for now they are receiving hospitable treatment and a willing welcome.

Italy
Population: 57,472,000.
Government: Republic.
Head of Government: Prime Minister Ciriaco DeMita
GDP: $743.17 billion.
Per Capita Income: $8,550.
Armed Forces: Army—265,000 (215,000 conscripts, 520,000 reserves); Navy—48,000 includes 1,500 air arm, 600 special forces (25,500 conscripts, 221,000 reserves); Air Force—73,000 (30,000 conscripts, 28,000 reserves); Paramilitary—219,372.
Total Regular Armed Forces: 386,000 (270,500 conscripts).

This was another normal year in keeping with the post-World War II political evolution of Italy. The government fell and the government was reconstituted.

In February, Prime Minister Giovanni Gorio failed to secure support for his budget proposals due to coalition infighting between his Christian Democrats and the Socialists. Not surprisingly, the same coalition reformed, this time under the leadership of Ciriaco DeMita, head of the Christian Democrat faction. The Socialists, Republicans, Liberals and Social Democrats again joined in, and that ruling coalition governed effectively through the year.

Two events of significance were related to Italy’s defense programs. The first was the Italian acceptance of the U.S. fighter squadron evicted by Spain. That decision was made with dispatch and with little opposition although, surprisingly, a group of Catholic bishops, deploring “militarization” of their dioceses, joined the predictable Communists and other left-wing groups in denouncing it. The parliamentary vote (298-196) was decisive and responded to Prime Minister DeMita’s observation that the road to disarmament would only be more difficult if the imbalance of conventional forces—Warsaw Pact to NATO—was aggravated by an act of unilateral disarmament.

A second potentially divisive action was the government decision to guarantee an export credit loan of $775 million on behalf of the Soviet Union. The loan, subsidized by Italian exporters and extended by Italian banks, received government support in the interest of boosting Italian exports. The availability of this amount of money from an economy that for years has been unable to support targeted defense expenditures, is bound to cause raised eyebrows among many of Italy’s NATO allies.

In other fields of interest, terrorism still thrives in Italy. A car bomb exploded on a Naples Street outside the American USO on the second anniversary of the U.S. raid on Libya. On the plus side, however, the Italian police arrested twenty-one members of the Combatant Communist Party, a surviving vestige of the Red Brigades of yesteryear.

Finally, Italy, like others in the EEC, is moving toward greater free enterprise as its corporations prepare to compete in the European market. State direction and control of industry, some of which dates back to Fascist regulations of the 1930s, is gradually being dismantled in the interest of private initiative. The Italian government committed readily to the EEC 1992 program, but lately seems to be suffering qualms of doubt concerning Italy’s ability to stand up to the competition. Those qualms could easily be overcome given some stability in Rome’s government—a desirable goal, but one that has eluded Italy for many years.

Spain
Population: 39,068,000.
Government: Constitutional monarchy.
Head of Government: Prime Minister Felipe Gonzalez Marquez
GDP: $286.48 billion.
Per Capita Income: $4,860.
Armed Forces: Army—232,000 (164,000 conscripts, 820,000 reserves); Navy—45,000 includes Marines (27,000 conscripts, 135,000 reserves); Air Force—32,500 (35,000 reserves); Paramilitary—119,700.
Total Regular Armed Forces: 309,500 (191,000 conscripts).

The government of Spain is in greater disarray than at any time since the death of Francisco Franco in 1975. Scandal, corruption, ineptitude, unemployment, terrorism and tax evasion are commonplace and each makes its own contribution to the fomenting unrest that characterizes Spain today. Nevertheless, the position of the governing Socialist party is perhaps stronger than ever because of these things.

First, the principal opposition party, Popular Alliance, is in even greater disarray. Manuel Fraga Tribar, retired party leader, has demanded reinstatement because of the party’s consistent loss of voters. But his successor, Antonio Hernandez Mancha, seems determined to hang
on to the chair and a drastic rupture appears inevitable. Should that rupture occur, the Socialist party will have even less opposition, although it too suffers from creeping weaknesses.

Second, the party of Prime Minister Felipe Gonzalez enjoys great popularity for its decision to remove a U.S. fighter squadron from Torrejon Air Base. At the same time, Gonzalez successfully negotiated a new agreement with the United States that assures the continuity and effectiveness of a substantial U.S. military presence in Spain.

Third, the government grant of autonomy puts three provinces under Basque governments, and a fourth may soon join them. The separatist group ETA—100-200 hard-core terrorists and their supporters—continue to demand independence, but polling reveals that 90 percent of the Basques now oppose violence.

At year's end, Spain enjoyed a five percent growth in its GNP, the highest in the European Economic Community. That was accompanied by a 19 percent unemployment rate, also the highest in the EEC.

Many Spaniards show concern over the quality of Spanish goods and therefore fear for their ability to compete on the free markets of Europe. Though they appreciate the recent influx of consumer goods, the Spanish are saddled with small farms and heavy industries, the latter ill-equipped, ancient, and encumbered with government-established subsidies that price them out of the marketplace. Until there is a reasonable resolution to many of these problems, the Socialist government in Madrid will find full integration into the European market to be a difficult challenge.

Portugal

Population: 10,373,000.
Government: Parliamentary democracy.
Head of Government: Prime Minister Anibal Cavaco Silva
GDP: $35.37 billion.
Per Capita Income: $2,250.
Defense Expenditures: $1.27 million.
Armed Forces: Army—44,000 (35,000 conscripts); Navy—16,300 including 2,800 Marines (5,400 conscripts); Air Force—13,600 including 2,000 Paratroops (4,400 conscripts); Paramilitary—42,300.
Reserves: 190,000 (all services).
Total Regular Armed Forces: 73,900 (44,800 conscripts).

American overseas bases and the payment to be exacted for their presence are pervasive topics among the southernmost members of the North Atlantic Treaty Organization. Portugal joined the battle in earnest in 1988 by demanding increased financial aid in return for continued U.S. use of Lajes Air Base in the Azores. Portuguese discontent followed Washington's announcement in February of a reduction in planned foreign aid from $207 million to $117 million. Lisbon considered that an abrogation of an executive agreement and understanding reached in 1983.

Secretary of Defense Frank Carlucci assuaged the Portuguese to some extent by promising surplus military equipment in addition to the aid package. Acceptance of that solution by Prime Minister Cavaco Silva's government caused a loud political uproar and resulted in a statement by Foreign Minister Pinheiro that an overhaul of the 1951 U.S.-Portuguese mutual defense treaty might be in order. By year's end there had been no resolution to the issue.

This year, Portugal was formally admitted to the Western European Union, the international body of nine nations that pre-dates NATO as a guarantor of collective defense if one of its members is attacked. The addition of Portugal adds depth to the WEU and increases its access to the Atlantic from naval bases in the Portuguese Azores.

Portugal's membership in the European Economic Community, occasioned in 1986, has created a constitutional problem for the government. That constitution, imposed in 1974, has a number of Marxist-flavored provisions which restrict private enterprise, promote nationalization of industry and collectivization of resources and provides for centralized planning of the economy.

The realization that such policies will render ineffective Portugal's participation in the free market—planned for the European Economic Community by 1992—has resulted in an agreement between the government and the main opposition party, the Socialists, to a common effort for constitutional reform. A successful effort in this venture will be a most important factor in Portugal's future. Failure could do irreparable harm by forcing Portugal to withdraw from the economic competition now thriving in Europe.

Greece

Population: 10,055,000.
Government: Presidential parliamentary republic.
Head of Government: Prime Minister Andreas Papandreou
GDP: $51.76 billion.
Per Capita Income: $3,680.
Defense Expenditures: $2.63 billion.
Armed Forces: Army—170,500 (112,500 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: 2,900 Cyprus.
Total Regular Armed Forces: 214,000 (140,500 conscripts).

The 40th anniversary of the Truman Doctrine, which saved Greece from engulfment in the Communist takeover of Eastern Europe, was barely mentioned and never celebrated as the Greek government continued its anti-Turk, anti-American, and anti-NATO rhetoric for
most of 1988. Prime Minister Andreas Papandreou, however, continued to pursue policies more prudent than those he publicly advocated. He engaged in face-to-face discussions with Turkish Prime Minister Turgut Ozal, served six months as the leader of the European Economic Community, and declined to order Americans out of Greek bases, despite the expiration of the existing agreement.

The end result is status quo—almost. The American bases issue had progressed to the stage of an official Greek demand covering the closing of the air base at Hellenikon, but the year ended with the talks in suspension. There is ample indication that this matter will remain volatile but unresolved until after Greek elections in the spring. In that way, the government will not be required to defend, before the electorate, the terms of any new agreement.

Neither Papandreou's direct discussions with Turkey's Ozal nor a U.N.-sponsored Cyprus conference group accomplished much toward resolving the problems of that divided island. Nor have they affected Greek demands that, in order to resolve the bases issue, the United States must guarantee against an attack by Turkey and support Greek claims to Aegean hegemony.

Progress was made, however, in the mutual defense field when Greece announced a $2 billion modernization program and a defense budget of about seven percent of its GNP. Much of the money will be spent modernizing the state-controlled defense industry and developing co-production facilities and joint ventures. Still, the Greek armed forces will benefit from the receipt of improved weaponry and equipment during the next five years. Importantly, the program promises another $2 billion for the years 1994-1998.

On another front, international terrorism, 1988 was grim. A July raid on a Greek excursion ship resulted in 11 deaths and seemed to confirm the violent Palestinian terrorist group Abu Nidal's continued activity in the country. That was followed by a midsummer attack on a police station resulting in the capture of a whole new arsenal of weapons and ammunition. On November 17, another American, U.S. Navy Captain William Nordeen, was assassinated.

All in all, Greece is riding most of the same issues into 1989. And, while some resolution will probably occur next year, the promise of real progress seems indeed to be transitory.

Turkey

Population: 51,385,000.
Government: Republic.
Head of Government: Prime Minister Turgut Ozal
GDP: $73.11 billion.
Per Capita Income: $1,110.
Defense Expenditures: $3.39 billion.
Armed Forces: Army—522,900 (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: 27,000.
Total Regular Armed Forces: 635,300 (575,800 conscripts).

The role of Turkey as the key bastion of NATO's southeastern flank increased in importance when the Iran-Iraq war washed its borders and disgorged 60,000 Kurds into what they hoped would be a more hospitable location. Yet, despite the Turks' humanitarian gestures and the barrier they provide against the westward spread of land warfare, Turkey continues to be treated as an unwelcome relative in the NATO family. Prime Minister Turgut Ozal's determination to enter the European Economic Community is received politely, but is firmly ignored "while Turkey continues to occupy Cyprus."

The Turkish military modernization program, promising $10 billion in expenditures between 1986 and 1995, continued to enjoy strong support from the government. Unlike Greece, where priority goes to modernization of state industries, Turkey is spending seed money to promote private investments and free enterprise in the development of its defense industrial base. In the long term, Turkey hopes to become a major exporter of military supplies, especially high technology items like electronics, missiles and aircraft. This development program kept Turkey among the top four NATO nations in defense expenditures.

Diplomatically, this was an eventful year for Turkey. Prime Minister Ozal's visit to Athens opened a long-closed direct dialogue with Greece—even though he was accorded a less than cordial welcome. A multi-billion dollar countertrade (barter and exchange of goods) agreement was signed with the Soviet Union—though the Russians demanded hard currency payments for natural gas deliveries. An agreement with Egypt to explore the establishment of joint ventures to promote economic cooperation was another Turkish international initiative.

Prime Minister Ozal, who survived an assassination attempt in July, ended the year in firm control. He remains committed to his economic program despite suffering inflation of over 80 percent and a growth of foreign debt to almost $40 billion. The economic dol­drums have not altered a relatively sound long-range outlook, but the political short-range problems were significant at year's end.
EASTERN EUROPE AND THE SOVIET UNION—ADRIFT ON A SEA OF CHANGE

While they are unquestionably the most widely debated bloc reforms in decades, Mikhail Gorbachev's twin programs of glasnost and perestroika are certainly not the only changes to occur in that region in 1988.

Militarily, the implementation of the Intermediate-range Nuclear Forces Treaty permitted verification access by teams from both sides, to areas previously off limits. Warsaw Pact observers witnessed the removal and/or destruction of American-made Pershing II and Ground-Launched Cruise Missiles from NATO countries while Westerners journeyed behind the iron curtain to behold the reciprocal removal of Soviet SS-20 systems from Warsaw Pact countries.

Of almost equal impact on both sides was Gorbachev's U.N. announcement concerning the removal of some Soviet forces from Eastern Europe and the Western USSR. In the East bloc the reaction sounded like an echo as nearly every Communist leader issued a similar pronouncement concerning his own forces. Western reaction was divided between those who urge caution in the face of the current NATO-Pact imbalance of forces and those who would cut Alliance forces to the bone post haste.

The reader should readily discern from the following discussion that the Soviet and Warsaw Pact armies ended 1988 no less an overpowering military threat to Western Europe than at the beginning of that eventful year.

The execution of Gorbachev's economic restructuring varied greatly among bloc nations. The reaction ranged from eager advocacy on the part of the leaders in Hungary and Poland, to rejection—openly by Romania; more subtly by East Germany. The Czech and Bulgarian leaders came down somewhere between those extremes.

Among the controlled societies of Eastern Europe, the Gorbachev program of openness has spawned some of the most sweeping reforms of Communism in more than two decades. There is lately a rising tide of nationalism among many of the long-oppressed people of the region that brings hope to some, danger to others.

The more one reads about these reform proposals, the more one is led to wonder whether glasnost and perestroika are prescriptions for the cure of an ailing system or merely a recipe for instability.

USSR

Population: 284,819,000.
Government: Communist dictatorship.
Head of Government: President Mikhail Gorbachev
GNP: $1.8-$2.31 trillion.
Per Capita Income: $7,396.
Defense Expenditures: $32.8 billion (15-17% of GNP).

Armed Forces:
- Strategic Nuclear Forces Command—298,000 (plus 110,500 assigned from Air Force and Navy, 217,000 conscripts); Army—1,900,000 (1,300,000 conscripts, 3,500,000 reserves); Air Defense Troops—520,000 (300,000 conscripts, 768,000 reserves); Navy—458,000 (330,000 conscripts, 699,000 reserves); Paramilitary—570,000.
- Total Regular Armed Forces—5,096,000 (3,000,000 conscripts) includes 1,476,000 railroad, construction, labor; civil defense and Kommandatura troops not otherwise listed.

For President Mikhail Gorbachev and the Soviet Union, 1988 was another year of rapid change as the Soviet leader struggled to implement his social and economic reforms over the protests and obstructionism of various elements within the Communist Party of the Soviet Union (CPSU). The imperative to salvage the Soviet economy is the primary factor in Gorbachev's initiatives.

Even after three years of Gorbachev's perestroika, or economic restructuring, there is little change in the downward trend of Soviet economic performance. A leading Soviet official reported in January 1989 that the Soviet budget deficit is actually about $165 billion or 11 percent of Soviet GNP. Compare that to the United States budget deficit of less than four percent of GNP.

In addition to staggering economic adversity, Gorbachev was forced to deal with a growing nationalities crisis. Violent clashes, beginning in February and continuing through the year, between Moslems and Christians in the republics of Armenia and Azerbaijan left perhaps hundreds of citizens dead and created waves of refugees seeking to avoid the violence. Thousands of Army troops were sent to the area to enforce curfews and impose strict emergency laws. Likewise, in the Baltic Soviet republics of Estonia, Latvia and Lithuania, nationalist declarations of autonomy threatened to create another crisis situation.

In April, Afghanistan and Pakistan signed a United Nations-mediated accord providing for the phased withdrawal of 100,000 Soviet troops from Afghanistan. All Soviet forces are scheduled to be out of the country by February 15th, leaving several Afghan resistance groups poised to topple the communist government in Kabul once they depart.
Mikhail Gorbachev's policy of glasnost, or openness, proceeded last year with the introduction of rudimentary democratic practices. Multi-candidate elections for a new 2,250-member Congress of People's Deputies were scheduled for March 1989. Sweeping political changes, including a restructuring of the central government, were proposed by Gorbachev at the 19th Communist Party Conference in late June. The reforms provide for the most open popular elections in recent Soviet history, but the Communist Party retains the decisive influence in selecting candidates to fill seats in the new national legislature. The Congress will in turn elect a 422-member Executive Parliament to sit in semi-permanent session in place of the old inactive Supreme Soviet.

President Reagan went to Moscow in May for the fourth summit meeting between the two superpower leaders. Their final meeting took place in December when Gorbachev addressed the United Nations in New York. In a surprise announcement, motivated by economic necessity and declining manpower levels, Gorbachev told the United Nations that the Soviet Union would unilaterally cut its military manpower by 500,000 men (10 percent of the total) and that 10,000 tanks, 8,500 artillery pieces, and 800 combat aircraft would be withdrawn from the territory of East European allies and the western Soviet Union. When and if the manpower and weapons cuts occur, the Warsaw Pact armies will still enjoy substantial advantages over NATO forces in most major military categories in Central Europe.

As Gorbachev approaches his fifth year in power he is attempting to juggle several delicate domestic and foreign policy initiatives. Domestic reforms such as the release of political prisoners, relaxation of emigration restrictions, permitting formation of independent political groups and legalizing more private enterprise have all proceeded too far to be easily revoked. In foreign affairs, Moscow has shown a new willingness to negotiate the termination of regional conflicts as in Afghanistan and Angola. Although it is clearly too early to determine how far the Soviets intend to alter their strategy in Europe to one of "Active Defense," as they have claimed, the indications clearly point to the possibility of some retrenchment of Soviet military force levels. An economic situation evidently worse than many Western experts imagined has forced Gorbachev to consider previously rejected methods of reducing the burden of empire that earlier Soviet leaders seemed determined to bear.

The downside of these domestic and political initiatives are the twin dangers of raised public expectations for prosperity and peace and the alienation of certain sectors of the bureaucracy. Should perestroika fail to produce the results Gorbachev has promised, there exists the possibility that he could be forced to revert to a command economy. There also exists the possibility that he could be removed from power, as was Nikita Kruschchev in 1964.

**Poland**

Population: 38,122,000.

Government: Communist dictatorship.

Head of Government: Gen. Wojciech Jaruzelski

GNP: $98.0 - $260.0 billion.

Per Capita Income: $2,070.


Armed Forces: Army—230,000 (168,000 conscripts, 430,000 reserves); Navy—19,000 (6,000 conscripts, 30,000 reserves); Air Force—92,000 (30,000 conscripts, 30,000 reserves); Paramilitary—462,000.

Forces Abroad: 157.

Total Regular Armed Forces: 341,000 (204,000 conscripts).

Widespread labor protests against the Polish government's severe austerity program, with its sharp price increases, were the order of the day through the first nine months of 1988. On more than one occasion the world's attention was focused on Polish workers as they rose up against the mines, shipyards and industrial centers to vent their anger over the government's misguided social, economic and political policies. Since the government crackdown of December 13, 1981, when Gen. Wojciech Jaruzelski declared martial law (since repealed) and outlawed their largest independent trade union, Poles have seen their standard of living plummet by 50 percent. Endless food shortages, rampant inflation, and the deprivation of the most basic human rights have contributed to waves of crippling labor unrest. Poland's $39 billion of foreign debt has also had a deleterious effect on its already ailing economy.

Most Poles look to the outlawed trade union Solidarity as their only means of forcing policy changes from the communist government. And the only means they have to force the government to open talks with the union is to strike. So strike they will, even though each walkout brings the Polish economy that much closer to collapse.

That sort of back-and-forth characterized the situation in Poland for most of the first two-thirds of the year. Then, the people received a subtle endorsement for the legalization of Solidarity from none other than General Secretary Mikhail Gorbachev. On his first state visit to his largest Eastern European satellite, Gorbachev visited the Roman Catholic Church in Krakow—the same church from which Jozeif Cardinal Glemp had attempted to foster cooperation between Poland's communist rulers and the non-communist ruled. That visit was considered by Poles to put the Soviet leader's blessing on the bargaining process.

Within a month of the Gorbachev visit, Gen. Jaruzelski called for "a brave turnaround in methods and the speed of our actions," and the interior minister, another general, proposed "round table" talks among "different social groups and workers' representatives."
Both generals had carefully sidestepped the question of Solidarity participation in the talks, but when British Prime Minister Margaret Thatcher visited in November, she openly pressed Jaruzelski to accept free labor unions and greater personal freedoms as indispensable to Poland's economic recovery. By the end of the year, the new Polish Prime Minister, Mieczyslaw Rakowski, announced plans for early 1989 meetings with Solidarity representatives for the purpose of negotiating a trial legalization of the union.

Should those negotiations fail, everyone would lose. Increased popular unrest could likely lead to revolution, thus destroying any semblance of credibility for Jaruzelski. The Communist Party boss would be left with no recourse other than suppression which would only further deprive Poles of their dreams of freedom. The failure of suppression would force the Soviet leader to intervene—or see the collapse of the Communist empire—and intervention would surely spell the end of perestroika.

There is a lot riding on the outcome of the up-coming round table talks between the Jaruzelski regime and Solidarity. The 90 percent of Poland's population who belong to the Roman Catholic church must be praying hard for the miracle they so desperately need.

The German Democratic Republic (East Germany)
Population: 16,593,000.
Government: Communist dictatorship.
Head of Government: Erich Honecker
GNP: $94.0 - $182.0 billion.
Per Capita Income: $10,000.
Defense Expenditures: $12.753 billion.
Armed Forces: Army—120,000 (71,500 conscripts, 330,000 reserves); Navy—15,000 (6,000 conscripts, 30,000 reserves); Air Force—37,000 (15,000 conscripts, 30,000 reserves); Paramilitary—92,500.
Forces Abroad: 2,370.
Total Regular Armed Forces: 172,000 (92,500 conscripts).

Czechoslovakia
Population: 15,676,000.
Government: Communist dictatorship.
Head of Government: Milos Jakes
GNP: $69.5-$140.5 billion.
Per Capita Income: $8,700.
Defense Expenditures: $5.36 billion.
Armed Forces: Army—145,000 (100,000 conscripts, 270,000 reserves); Air Force—52,000 (18,000 conscripts, 10,000 reserves); Paramilitary—131,000.
Total Regular Armed Forces: 197,000 (118,000 conscripts).

If there is openness or reform anywhere in Czechoslovakia it remains locked in the memories of those old enough to recall the 1968 Soviet-led invasion that crushed Alexander Dubcek's attempt to "put a human face on Communism." Certainly Brezhnev-installed party boss, Gustav Husak—who ruled in strict Stalinist fashion for the last 19 years—would breach no movement toward reform. He went so far as to have the Czech word for reform banned from public usage.

Nor were there any great expectations concerning the lot of Czech citizens when Husak was replaced by Milos Jakes in December 1987. Jakes, they recall, had 20 years ago orchestrated the purge of 500,000 members of the Communist Party of Czechoslovakia—including his former student roommate Dubcek. True to form, Jakes has allowed no crack in the party's control to remain unplastered for long.

In an example of the party's paranoia about reform, Lubomir Strougal was unceremoniously dumped as Prime Minister after 18 years on the job. His crime: advocacy of a faster pace of economic and political
change. With him went most of the Czech cabinet, a move that gave hardline conservative Jakes the opportunity to tighten his grip on the leadership by installing authorities of his own choosing.

The manner in which this new government will act to salvage the nation's faltering economy will be closely observed by the Czechs, by the Soviets, by other Pact nations and, most assuredly, in many Western capitals. Already the government's abhorrent human rights policies have cost Prague the most sought “most-favored-nation” trade status by the United States. The U.S. State Department has decreed that the benefit will not be granted until Prague sees fit to permit the release of political prisoners, grant some freedom to the press, ease repression of the church and allow demonstrations to proceed without being terminated by the police and their dogs.

Until the party condones some of these reforms, the best that 16 million Czechs can do is pray—very quietly, of course—that Mikhail Gorbachev will win his war for reform at home. That could allow the Soviet leader to turn his attention to the pursuit of openness and reform in other East bloc capitals where it is sorely needed.

Hungary
Population: 10,628,000.
Government: Communist dictatorship.
Head of Government: General Secretary Karoly Grosz
GDP: $28.0-$95.0 billion.
Per Capita Income: $7,520.
Defense Expenditures: $2.67 billion.
Armed Forces: Army—77,000 (45,000 conscripts, 127,000 reserves); Air Force—22,000 (8,000 conscripts, 8,000 reserves); Paramilitary—76,000.
Total Regular Armed Forces: 99,000 (53,000 conscripts).

If most East European nations are finding themselves being thrust reluctantly toward fundamental systemic reforms, such is not necessarily the case in Hungary. This nation of 11 million has been experimenting with changes and adaptations to the communist economic system for more than 20 years.

Unfortunately, Hungary's "goulash communism," has lately turned sour. An odd attempt to blend socialism and capitalism, it has saddled Hungary with a $9 billion foreign debt ($993 per capita) with interest payments that consume 72 percent of hard-currency earnings. Inefficiency, poor management and a dilatory socialist system unable to keep pace with foreign markets, all combined to throw the Hungarian gamble off track.

Whether it was a way to overcome the inertia in the economy or for fear that he was losing control of the situation, Janos Kadar was replaced as General Secretary of Hungary's Communist Party in May by Prime Minister Karoly Grosz. The 76-year-old Kadar, installed by the Soviets following their 1956 invasion, became the first bloc leader to leave power in honor, replaced because of age rather than by intrigue or violence.

Grosz, who had been the de facto leader since mid-1987, found the twin duties of premier and general secretary to be too much for one person. In October he resigned the government post while retaining the more important job of party boss. His replacement as Prime Minister is professional economist, Miklos Nemeth, who signaled the first signs that Hungary would move away from the ruling party's monopoly on power by making the legislature responsible for running the country.

By year-end the Grosz-Nemeth leadership gave every appearance of keeping their word. The Hungarian parliament announced the legalization of independent political parties as well as the right of Hungarians to participate in public demonstrations. This move toward pluralism is unprecedented in a Soviet bloc nation and introduces a multiparty system to a nation ruled by the Communist Party for over 40 years.

Life in Hungary today is a lot harder than it once was, but it must be of some slight reassurance to the people that their leaders are determined to attack the problem rather than ignore it in the hope it will go away of its own accord.

Romania
Population: 23,836,000.
Government: Communist dictatorship.
Head of Government: President Nicolae Ceausescu
GDP: $68.1-$135.0 billion.
Per Capita Income: $5,450 (1985 estimate).
Defense Expenditures: $1.133 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—290,000 border guards.
Total Regular Armed Forces: 179,500 (107,500 conscripts).

President Nicolae Ceausescu's adamant resistance to both glasnost and perestroika and his abysmal record on human rights have caused one of the world's last old-style communist dictators to be severely rebuked by Moscow, Washington and nearly every capital in between. In fact, his repressive Stalinist policies have so alienated Romania's allies that he has earned the distinction of being detested in the East bloc as much as he is by Western governments.

In addition to some thinly-veiled warnings to mend his ways from Mikhail Gorbachev himself, Ceausescu has been subject to the ire of at least two communist neighbors—Hungary and Bulgaria. In the case of the former, heated words have been aimed at the Romanian president over discrimination and persecution of the two million ethnic Hungarians who live in Transylvania—ruled by Hungary until World War I.
Among the several points of contention between these two otherwise allies, is the matter of the 70-year-old Romanian dictator's plan to bulldoze more than half the country's villages and transfer the population to 500 "agro-industrial complexes" by the end of the century. That, according to the Hungarians, is Ceausescu's program to obliterate any trace of their natural heritage.

Bucharest's human rights repressions—especially severe in the case of ethnic minorities—have aroused such desperation that for the first time ever, Romanians by the thousands have sought haven in Hungary, Yugoslavia and even the Soviet Union.

Some of Bulgaria's antagonism toward Ceausescu is borne of the toxic clouds that drift across the Danube River from a Soviet-built chemical plant at Giurgiu, Romania.

An example of the disreputable state of Romania's economy can be seen in the statistics regarding trade with the European Community over the last five years. The other five East European nations have increased exports to Western Europe between 30 (Poland) and 70 (Czechoslovakia) percent, while Romania's exports have dropped 31 percent. In the same period, Romanian imports from EC markets have risen 51 percent—the highest among bloc nations. Were it not for the miserable state of Romania's tightly controlled, Stalinesque economy, Mr. Gorbachev might be somewhat more disposed toward Ceausescu's independent stance.

Since 1975, the U.S. has extended to Romania the coveted most-favored-nation trade status. In 1987, congressional dissatisfaction with Ceausescu's dismal human rights policies led to legislation which would suspend MFN status until improvements are made. Seeking to avoid further scrutiny of his human rights record, Ceausescu renounced the MFN status even though that could mean the loss of up to $250 million in trade with the United States.

The havoc that Nicolae Ceausescu and his despotic reign have wreaked on Romania reads like a modern horror story. Malnutrition is widespread; food shortages are common; meat and fresh vegetables are hard to come by; bread is rationed; wasting electricity is heavily fined.

One more heatless winter in Romania could just be the straw that will break this 70-year-old megalomaniac's back. Should that come to pass, there will be few tears shed in Romania.

**Bulgaria**

Population: 9,078,000.
Government: Communist dictatorship.
Head of Government: Todor Zhivkov
GDP: $30.4-$67.8 billion
Per Capita Income: $6,460.00
Defense Expenditures: $2.465 billion.
Armed Forces: Army—115,000 (70,000 conscripts, 182,500 reserves); Navy—8,800 (3,000 conscripts, 14,000 reserves); Air Force—34,000 (18,000 conscripts, 20,000 reserves); Paramilitary—172,500.
Total Regular Armed Forces: 157,800 (91,000 conscripts).

Since the iron curtain descended across Europe, no Soviet bloc nation has marched in tighter lockstep with the Kremlin than Bulgaria. This subservience to Moscow undoubtedly accounts for the fact that Todor Zhivkov has ruled as the General Secretary of the Bulgarian Communist Party since 1954. Thus it came as no surprise when Zhivkov, following Mikhail Gorbachev's pronouncement of the virtues of glasnost and perestroika, announced "revolutionary changes" in Bulgaria's government, economy and society.

Zhivkov's plans to dissolve much of the structure of the Bulgarian economic organization and replace it with worker management of factories, and the creation of commercial banks, failed to make it through the first year. Unqualified managers saw their factories close because of their own failure to make critical decisions or issue essential orders. A lack of understanding of commercial finance left the newly-created banks with empty tills. Even worse, Zhivkov's restraints on the leading role of the party earned for him a trip to Gorbachev's woodshed.

Hastily summoned to Moscow in late 1987, Zhivkov learned that it is not good policy to try to out-Gorbachev Gorbachev. He further learned that while Sofia's government was indeed in need of major restructuring, such reforms must be accomplished only under the strict purview of the Communist Party.

To many Western observers, Zhivkov's biggest surprise came in July when he ousted from power and from the party the man seen by many as his successor, Chudomir Alexandrov, along with several other ranking party officials, felt the sting of Zhivkov for allegedly criticizing the lack of momentum in Sofia's reform movement. That, of course, was taken as personal criticism by Zhivkov who covered his embarrassment by sacking Alexandrov.

At this writing, Todor Zhivkov has resumed his normal position, a pace or two to the rear of the current Kremlin boss. The Bulgarian press is still heavily censored; criticism of the government and the party continues to be punishable; the economy suffers the throes of constant administrative reorganization; and the people of Bulgaria plod along, watching their standard of living stagnate, yet never daring to question their lot or their leader.
Yugoslavia
Population: 23,561,000.
Government: Communist state.
Head of Government: Presidium President Stipe Suvar
GMP: (gross material product) $91.21 billion.
Per Capita Income: $2,300.
Defense Expenditures: $2.86 billion.
Armed Forces: Army—144,000 (94,500 conscripts, 440,000 reserves); Navy—11,000 including 900 Marines and 2,300 coast guard (4,500 conscripts, 43,000 reserves); Air Force—33,000 (4,500 conscripts, 27,000 reserves); Paramilitary—15,000 frontier guards.
Total Regular Armed Forces: 188,000 (103,500 conscripts).

The outlook for ethnic harmony in Yugoslavia remained bleak throughout 1988. Nor was there the slightest reversal of this non-aligned communist country's headlong plunge toward economic disaster. On the next to last day of the year, the government collapsed—the first time that has happened since the communists came to power in 1945. But because of so many years of political inertia, hardly anyone noticed it.
The Belgrade government is a nine-member committee which has mismanaged the affairs of Yugoslavia's six republics and two autonomous provinces since the death of Josip Broz Tito in 1980. The constitution imposed on this loose, quarrelsome confederation by Tito obliged them to govern by consensus, which invariably resulted in paralysis. Therein lies one of the two main causes for hundreds of thousands of Yugoslavs taking their grievances to the streets all year long.

At the heart of Slavic discontent is economic distress as evidenced by 250 percent inflation, 15 percent unemployment and $22 billion of foreign debt. Yugoslavs have seen their wages drop by one-fourth in real terms and their standard of living fall to the level of the 1960s. Today the average worker in Yugoslavia spends 70 percent of his income on food.

In the eyes of the people, it was the impotence of the federal presidency that created this economic disaster, and for that they demanded and secured the resignation of Prime Minister Branko Mikulic.

The second factor contributing to the unraveling of Tito's union is ethnic conflict, fomented in large part by the numerically dominant Serbs whose one-third of the population vehemently objects to its allotment of only one-eighth of the power.

In 1989, Yugoslavs face what could be their roughest period in 44 years. To avoid complete economic collapse, it seems their only hope is to tear down the barriers which inhibit the movement of capital and labor between the republics, thus converting to a market-based system. Of course there's always the Polish solution—having the Army hold back popular unrest by force of arms.

AFRICA—THE INTRACTABLE PROBLEMS OF HUNGER AND RACISM

Once again war and poverty were the norm for much of the African continent in 1988. Despite movement towards peace in Western Sahara, Namibia and Angola, civil war continued in several countries. Likewise, despite the efforts of dozens of foreign relief organizations, hundreds of thousands of Africans died of starvation last year.

Poverty and malnutrition remain virtually the only growth sector on the continent, particularly in sub-Saharan Africa. African economies grew by only 0.8 percent in 1987 and average incomes have fallen by two percent for each of the last two years. Death rates among children have risen steadily since 1980 while food production has continued to decline.

Some external factors blamed for Africa's economic woes include falling world prices for African export products (oil, minerals, tobacco, etc.) and declining aid from wealthy industrialized nations.

At the same time, internal factors contributing to African economic stagnation cannot be ignored. Oppressive government business practices including price controls, high taxes, bureaucratic red tape, profit expropriation controls and an official system of bribery, all make most of Africa an unattractive foreign investment prospect.

Added to these discouraging economic realities is the inherent political instability of the region. All but seven of 45 sub-Saharan countries are one-party or no party states. Civil wars continue in Ethiopia, Sudan, Angola, Mozambique and Somal. Social unrest is the norm in South Africa and Uganda and even erupted in Algeria last year.

Despite very discouraging news on the economic front, at least 28 African nations have admitted their financial and trade problems and have turned to the World Bank and IMF for assistance. Some countries such as Ghana and Botswana have prospered under World Bank programs and policies. The jury is still out, however, as to whether such reforms will salvage the economies of the continent's larger, more populous countries. What is abundantly clear is that economic change and democratic reform are seen more and more as the only remaining option for a growing number of desperate African nations.
Morocco
Population: 23,433,000.
Government: Constitutional monarchy.
Head of Government: King Hassan II
GDP: $17.838 billion.
Per Capita Income: $590.
Defense Expenditures: $958.0 million.
Armed Forces: Army—170,000; Royal Guard—1,500; Navy—6,500 including naval infantry; Air Force—15,000; Paramilitary—35,000.
Forces Abroad: 360.
Total Regular Armed Forces: 193,000

The 13-year war between Morocco and the Polisario rebels may have finally ended this year with an agreement to resolve the status of Western Sahara with ballots instead of bullets. In May, Morocco resumed diplomatic relations with Algeria, its large neighbor to the east, after 12 years of heated confrontation caused by Algeria's financial, military and moral support of the leftist, independence-seeking Polisario guerrilla force. Throughout the summer, the rebel group's prospects for control over the former Spanish colony of Western Sahara worsened dramatically. Hundreds of Polisario's estimated 8,000-10,000 guerrilla fighters deserted to the Moroccan side.
Finally, in late August, Moroccan and Polisario negotiators agreed to a United Nations-brokered peace plan calling for a cease-fire to be followed in the spring by a referendum asking the people of Western Sahara to choose between independence or allegiance to King Hassan II of Morocco.

The peace agreement appears to be a victory for King Hassan II of Morocco who invested heavily in a 1,200-mile sand wall laden with defensive positions, mines, listening devices, and barbed wire. Built near the original borders of Western Sahara, the wall effectively excluded Polisario operations in the vast majority of Western Sahara, a land valuable namely for its huge phosphate reserves (two-thirds of the world's known total). The war has cost Morocco perhaps $100 million annually and has effectively tied up most of Hassan's 170,000-man Army. In addition, Morocco has spent over $1 billion since 1976 in an attempt to transform its portion of Western Sahara into a viable, modern, industrial region, thereby legitimizing its assertions of territorial sovereignty.

King Hassan II of Morocco feels confident that after the spring referendum he will finally achieve total international recognition of his rule in Western Sahara. The big question now is whether the Polisario Front, recognized by 71 third world nations, will actually dissolve and incorporate itself back into Morocco. If that should come to pass, a "forgotten" war, which has raged for 13 years and taken over 10,000 lives, might finally come to a peaceful conclusion.

The October uprising had its roots in the miserable state of Algeria's economy. Gross National Product has grown by only about one percent annually the last three years. With a population growth of more than three percent a year—one of the world's highest rates—1988 will be the third year in a row Algeria has been a victim of a decline in GNP per capita.

As is the case with most oil-dependent economies, Algeria's woes can be traced to reliance on oil and gas for 97 percent of its export revenues. The drop in world oil prices in recent years has reduced Algerian revenues from $13.2 billion in 1985 to $8.6 billion in 1987. This revenue decline has made it impossible for the government to repay its $22 billion in foreign debt or to afford $5 billion a year just to service it. The government emphasis on steel and petrochemical industry during the 1970's has left Algerian agriculture in such poor condition that the government must import 60 percent of the nation's food. A second straight year of serious drought has further strained food production causing the price of meat to soar to $10 per pound.

Incredibly, 70 percent of Algeria's population is under age 24 and half of those are unemployed. Today, the vast majority of Algerians have no recollection of their nation's war of independence with France. Nor do they feel any personal attachment to the National Liberation Front, the political force that led the way to independence and established the socialist Algerian economy and single-party government.

Unless, President Bendjeddid enacts radical economic reforms to free up the stalled Algerian economy, further social unrest is inevitable. However, as Gorbachev has discovered in the Soviet Union, a national leader cannot achieve economic reform without some political and social liberalization. Bendjeddid must drive ahead with his democratizing and liberalizing efforts and hope for a rise in world oil prices.

Algeria

Population: 23,761,800.
Government: Republic.
Head of Government: President Chadli Bendjeddid
GDP: $73.47 billion.
Per Capita Income: $2,590.
Defense Expenditures: $1.20 billion.
Armed Forces: Army—120,000 (70,000 conscripts, 150,000 reserves); Navy—7,000; Air Force—12,000; Paramilitary: 30,000.
Total Regular Armed Forces: 139,000 (70,000 conscripts).

This large North-African nation appears headed toward one of two developments in the coming months: political and economic reform with greater material prosperity and personal freedom, or else widespread turmoil and upheaval from a disillusioned population.

What some analysts described as a dress rehearsal for revolution occurred on October 5 as tens of thousands of young Algerians rioted in the capital city of Algiers. Other major coastal cities soon erupted in violence as well. When the mayhem finally ended on October 10 (after President Chadli Bendjeddid went on television to promise reforms) an estimated 300 to 500 Algerians had been killed.

Tunisia

Population: 7,537,000.
Government: Republic.
Head of Government: President Zine el-Abidine Ben Ali
GDP: $9.575 billion.
Per Capita Income: $1,140.
Defense Expenditures: $545.47 million.
Armed Forces: Army—30,000 (25,000 conscripts); Navy—4,500 (700 conscripts); Air Force—3,500 (700 conscripts); Paramilitary—9,000.
Total Regular Armed Forces: 38,000 (26,400 conscripts).

Despite economic tribulation and persistent political turmoil, the majority of Tunisia's seven million citizens have eagerly hailed President Zine el-Abidine Ben Ali as a political reformer who has pulled Tunisia back from the brink of chaos. His mandate for change was something long overdue under the 30-year reign of Habib
Bourguiba. Since taking power in November 1987, Ben Ali has attempted to restore ties among fellow Arab and North African nations including Col. Muammar el-Qaddafi, the Libyan leader.

Ben Ali took power here by deposing Bourguiba, the aged and weakened founder of modern Tunisia, through constitutional means. He also appointed himself head of the only political body represented in the 125-seat parliament, the Destourian (Constitutional) Socialist Party which was created by Bourguiba.

Under the rule of Bourguiba, Tunisia maintained a very pro-Western stance. Under Ben Ali, Tunisia has moved toward a more non-aligned foreign policy. The new president professes to make Tunisia the most open, as well as the most powerful, of North African nations. Inspired by the country's new direction, many Tunisians have come to view their nation as the new role model for a stronger North Africa, a region which could act as a geographical, commercial and political bridge between the embattled Middle East, Europe and Africa, and ultimately a cultural bridge between Christianity, Islam and Judaism.

In keeping with his promise for change, Ben Ali released from jail some 2,000 Islamic fundamentalists and political opponents. He proposed and enacted laws guaranteeing new freedoms to political parties and to the press. Constitutional amendments being drafted under the new regime will limit future presidents to five-year terms and bar anyone over the age of 75 from running for office. This change would eradicate the presidency-for-life instituted by Bourguiba in 1975.

The Tunisian government, under Ben Ali's initiative, has also begun to reform its economic practices, moving the nation toward Western-style capitalism. Reducing the role of the state and giving a greater role to the private sector are two of the programs being implemented for the sake of economic efficiency.

Despite these optimistic changes in the Tunisian economy, serious problems still linger for the government in Tunisia. Among the most pressing issues are an unemployment rate of 15 percent, devastating swarms of locusts, and the burning desire of younger Tunisians for more educational and social spending. As Ben Ali faces these challenges, the people of Tunisia will need lots of patience, courage and stamina to achieve the democratic reforms they desire.

**Ethiopia**

Population: 46,031,000.
Government: Provisional military council.
Head of Government: Chairman Mengistu Haile Mariam
GDP: $5.25 billion.
Per Capita Income: $120.
Armed Forces: Army—313,000 includes 150,000 People's Militia; Navy—1,800; Air Force—4,000; Paramilitary—178,000.
Total Regular Armed Forces: 318,800.

Once again war and famine were the dominant forces in Ethiopia, the world's poorest nation. The world's longest running civil war escalated this year as the secessionist Eritrean People's Liberation Front (EPLF) broke a nine-year stalemate in a 27-year battle against Ethiopian government forces under Marxist-Leninist President Mengistu Haile Mariam.

It is estimated that the 30,000 armed members of the leftist EPLF (which includes 10,000 women fighters) control 85 percent of Eritrea, a rocky, barren province in northern Ethiopia along the Red Sea. The rebel's control is limited to night-time while the government forces concentrate their efforts, including MIG fighter attacks, to daylight hours. The Ethiopian Army, despite the deployment of over 150,000 troops in Eritrea alone, is confined to major towns and large highways.

The other major player in the civil war is the Tigrean People's Liberation Front (TPLF) which is also seeking autonomy from Ethiopian rule. The TPLF has been fighting government forces in Tigre province (bordering Eritrea) since 1975. Its forces are thought to number between 10,000 and 15,000 armed fighters.

More than half of all government spending is committed to the civil war in the north. In late March, President Mengistu admitted publicly for the first time, the seriousness of the insurgent threat. His admission came in the wake of simultaneous EPLF and TPLF military offensives in which as many as 18,000 government soldiers were killed or captured.

As a consequence of the stepped-up fighting, many international relief organizations feared that crucial food shipments to three million starving Ethiopians would be blocked. Fortunately, millions of tons of privately distributed food helped relieve the threat of starvation.

International outrage has seemingly slowed Mengistu's resettlement campaign which is so reminiscent of Stalin's forced collectivization drives in the Soviet Union during the 1930's. The Ethiopian version has forcibly uprooted and relocated hundreds of thousands of rural tribesmen onto collective farms in the south.

There seems little chance of a military victory ending the civil war in Ethiopia. Neither the rebels nor the government has enough military might to force the other side to capitulate. With that in mind, it must be con-
have used famine relief supplies and food as weapons by preventing their delivery to areas controlled by the States. The tremendous loss of life was the result of the estimated that 225,000 Sudanese died from starvation in opposition.

Minister Sadiq ai-Mahdi and the guerrillas of the Sudan five-year-old civil war between the government of Prime People's Liberation Army (SPLA), led by American-educated former Army Col. John Garang. Both sides have used famine relief supplies and food as weapons by preventing their delivery to areas controlled by the opposition.

The 30,000 men of the SPLA now control most of Sudan's three southernmost provinces—approximately one-third of the country. Government troops fighting the insurgency number about 60,000. The rebel strategy has been to cut off supplies to government forces located in major southern towns and cities such as at Juba where 20,000 army troops are encircled by the guerrillas.

The war costs the Sudanese treasury at least $1 million daily, a price the government can hardly afford, considering its $12 billion foreign debt. Lately, Mahdi has attempted to ease the military burden by recruiting Arab tribes to fight against African tribes who support the SPLA.

Government efforts to restrict food supplies from rebel-held areas prevented foreign relief agencies from moving ship-loads of food to the people who most desperately need it. For their part, the rebels have attacked food caravans enroute to aid tens of thousands of starving civilians located in government-controlled towns and cities. Perhaps two million of the South's seven million people have fled the area. Incredibly, 300,000 have sought refuge in Ethiopia, Sudan's drought and war-ravaged neighbor to the east. Another million or more have migrated to Khartoum to live in squalid camps on the outskirts of town.

As if famine, drought, war and starvation weren't enough for Sudan last year, some areas of the country also suffered torrential floods which left 1.5 million Sudanese homeless. Finally, Sudan was ravaged by huge swarms of locusts, the worst in 30 years, which destroyed much of the surviving crops.

Until the two sides in the civil war agree to negotiate a solution to the religious and political differences tearing this country apart, there seems little hope that the Sudan, bordering eight other African nations, can become the continental anchor many once envisioned.

Africa's largest country experienced a horrible year even by the standards of misery we have come to expect from parts of the dark continent. It is conservatively estimated that 225,000 Sudanese died from starvation in 1988, despite ample supplies of emergency food aid delivered from foreign nations, particularly the United States. The tremendous loss of life was the result of the five-year-old civil war between the government of Prime Minister Sadiq ai-Mahdi and the guerrillas of the Sudan People's Liberation Army (SPLA), led by American-educated former Army Col. John Garang. Both sides have used famine relief supplies and food as weapons by preventing their delivery to areas controlled by the opposition.

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For 18 of the last 22 years, military officers have ruled Nigeria, Africa's most populous nation. Since Nigerian independence from Britain in 1960, six coups, three assassinations of heads-of-state and one full-scale civil war have occurred. In light of these discouraging events, many observers of this coastal west-African nation are surprised by the relative longevity of Nigeria's current President, Gen. Ibrahim Babangida, who assumed power during a military coup in August 1985.

In 1987, President Babangida announced a step-by-step plan to return the nation to civilian rule by 1992. Local elections, the first step toward the General's stated goal of a two-party Nigerian democracy, were held in December 1987 and a constitutional convention was convened last summer to draw up a legal foundation for future civilian rule.

Many Nigerians, however, are concerned that the two-party system envisioned by the present leadership will split the country on regional, religious and tribal lines with Muslim Hausa-Falnis in the north forming a party and mostly-Christian Ibo's in the south forming another.

The success of Nigeria's transition to civilian democratic rule with state and national elections depends heavily on Gen. Babangida's ability to reverse the country's staggering economic decline. Bolstered by billions of dollars in oil revenues, Nigeria began the decade with ambitions of becoming a global power. Today the World Bank is preparing to reclassify Nigeria from a middle to a low income nation.

The cause of this precipitous crash can be directly traced to the extended decline in oil revenues which account for 95 percent of Nigeria's export earnings. In 1980, oil exports brought in $25 billion in earnings. Falling world oil prices had cut that figure to about $6 billion annually by 1988—exactly the size of Nigeria's annual
interest payments on its colossal $27 billion foreign debt.

Over the last two years, President Babangida has trimmed the size of government, devalued the national currency by 400 percent, created market incentives for food production and courted investment by foreign enterprises. In other IMF-recommended changes, he has announced that the government would privatize 67 state-owned companies and sell its controlling interests in 21 others, including the national air and shipping lines—long-time symbols of government mismanagement and corruption.

Other African nations attempting economic restructuring along the lines of free-markets are closely watching the progress of such efforts in Nigeria. If Gen. Babangida fails to return Africa's most populous state to a sound economic and political foundation as he has promised, the political and economic fallout could sabotage similar IMF and World Bank reform programs in 26 other nations across the African continent.

**Namibia**

Population: 1,142,000 (1986 estimate).
Government: Controlled by South Africa pending United Nations mandated independence.
Head of Government: Sam Nujoma
GNP: $860.2 million.
Per Capita Income: $789.
(Other figures are assumed to be included with South Africa.)

In December, South Africa, Angola and Cuba reached final agreement on a U.S.-brokered plan for the independence of Namibia, known until 1968 as South-West Africa. The “Brazzaville Protocol,” as the tripartite agreement is called, requires South Africa to reduce its troop strength in Namibia from the current level of 30,000 to 1,500 by July 1st. A phased withdrawal of the 50,000 Cuban troops from neighboring Angola calls for half to leave by November 1st and the remainder by July 1991. Jonas Savimbi's 60,000 UNITA rebels fighting the Soviet-backed Angolan government were not mentioned in the accord.

The official transition to Namibian independence is supposed to begin April 1st with the implementation of United Nations Security Council Resolution 435. That plan provides for a United Nation's peace-keeping force to be emplaced in Namibia in order to supervise elections, now scheduled for November 1st.

Originally a German colony, Namibia has been occupied and administered by South Africa for 73 years—including the last 23 years in violation of United Nations and World Court rulings. Since 1973, the Southwest Africa People's Organization (SWAPO), founded and led for the last 20 years by Sam Nujoma, has been recognized by the United Nations as the “sole and authentic” representative of the Namibian people. Since 1965, this 8,000-10,000 member group has steadfastly fought against South African administration of Namibia, often using terrorist tactics from base camps in southern Angola.

It is widely expected that SWAPO will carry the November elections but South African officials question whether the Marxist-oriented group will be able to capture the two-thirds majority it would need to dictate the terms of the new constitution. A force of 7,500 United Nations peace-keeping troops and 2,000 civilian election officials and police are expected to ensure that fair elections are held.

No matter who wins the elections, if and when they come about, Namibia is likely to remain dependent on South Africa for its economic survival. Diamonds, uranium and copper account for the majority of Namibian export earnings and the technicians needed to run the mines are predominantly South African. The government in Pretoria contributed about one-fifth—$120 million—of the Namibian budget last year alone. Approximately 90 percent of all manufactured foodstuffs are imported from South Africa and the only rail line from Namibia runs through South Africa. In addition, South Africa will continue to control the only functioning Namibian port, Walvis Bay, after Namibian independence.

Although SWAPO will probably become the primary political player in an independent Namibia, there is ample political opposition, including some 50 political parties and 80,000 whites (seven percent of the population) who control a large percentage of the wealth. Should the complex peace plan negotiated in December hold up under the many pressures it is sure to face in coming months, there seems a possibility that peace may soon break out, at least in this part of southern Africa.

**Angola**

Population: 8,671,000.
Government: People's republic.
Head of Government: President Jose Eduardo dos Santos
GNP: $4.04 billion.
Per Capita Income: $390.
Armed Forces: Army—91,500 (24,000 conscripts); Navy—1,500; Air Force—7,000; Paramilitary—57,000; Reserves—50,000
Forces Abroad: 500.
Total Regular Armed Forces: 100,000 includes 10,000 guerrilla forces (24,000 conscripts).

Despite a U.S.-brokered peace plan involving Angola, Cuba and South Africa, which was signed in December, hostilities continue in this former Portuguese colony. The agreement provides for the removal of 30,000 South African troops from neighboring Namibia and 50,000 Cuban troops from
Angola. About 5,000 South African troops were withdrawn from southern Angola in August after assisting the rebel National Union for the Total Independence of Angola (UNITA), in its struggle against the Cuban-backed government troops of the Popular Movement for the Liberation of Angola (MPLA).

The Marxist MPLA, led by Angolan President Jose Eduardo dos Santos, is the only legal political party in Angola. Ironically, the MPLA and UNITA both fought against independence from Portugal—finally achieved in 1975. When the MPLA turned on its partners in the struggle for independence, Jonas Savimbi led his UNITA fighters into the bush. From there he has fought the Soviet-armed government for the last 13 years.

The tripartite accord requires South Africa, which has provided 90 percent of UNITA's military supplies (about $150 million last year), to end its support of the rebels. The United States has contributed about $15 million annually since 1986. The accord makes no mention of United States support for UNITA and President George Bush has promised to continue assistance at the present level. For its part, the Angolan government in Luanda agreed to cut off aid to the African National Congress (ANC) which is fighting white rule in South Africa. The accord does not mention the Southwest Africa Peoples Organization (SWAPO), an 8,000-10,000-member force fighting for Namibian independence and majority black rule.

Under the accords, Cuban forces are to move in stages from southern to central Angola and eventually back to Cuba. The first 3,000 Cubans are to be out of Angola by April 1st with the remainder moving north of the Benguela railroad—which divides Angola roughly in half—by November 1st. Ninety United Nations observers are to monitor the Cuban pullout.

If the removal of Cuban troops proceeds as planned, the MPLA will be left to face UNITA's 60,000 highly-trained troops on its own. These rebels, headquartered in Jamba near the Namibian border, operate throughout Angola and control most of the lower third of the country except for some major towns and cities. The rebels have effectively used the U.S.-supplied Stinger anti-aircraft missile to negate Angolan and Cuban use of modern Soviet MIG fighters and armed helicopters.

The peace agreement in south-western Africa may bring the end of direct international involvement in the Angolan civil war, but it will not bring peace there. Neither the Angolan government nor the UNITA rebels have the capability to win militarily. An agreement by the MPLA to allow UNITA participation in a new government is the only hope to avoid the more likely alternative—a divided Angola, with the south under Savimbi's charismatic rule and the north controlled by dos Santo's MPLA.

South Africa

Population: 34,493,000.
Government: Parliamentary.
Head of Government: President Pieter Willem Botha
GNP: $81.10 billion.
Per Capita Income: $1,850.
Defense Expenditures: $3.76 billion.
Armed Forces: Army—75,000; Navy—7,500 including 900 Marines (4,500 conscripts); Air Force—13,000 (2,400 conscripts); Medical Corps—8,000; Paramilitary—92,000.
Reserves: 455,000 (all services).
Total Regular Armed Forces: 103,000 (67,900 conscripts).

The December agreement to grant Namibian independence in exchange for the withdrawal of 50,000 Cuban troops from Angola, capped a year of intense activity in this strategically vital nation.

President Pieter W. Botha was encouraged to seek a diplomatic solution in Namibia because of the apparent military stalemate between his and Cuban troops in southern Angola. The cost to Pretoria of maintaining and protecting Namibia and supplying the UNITA rebels is estimated at close to $1 billion annually.

Social unrest continued in South Africa throughout 1988, as hundreds of blacks were killed protesting the system of racial segregation and disenfranchisement known as apartheid. Limited reforms proposed by Botha's ruling National party have been assailed from the left wing's Progressive Federal party as too little, and from the right wing's Conservative party as too much. The Conservatives swept local council elections in October and re-implemented the system of petty apartheid, reminiscent of the 1950's in many towns and localities.

Economic sanctions applied by the U.S. and other industrialized nations have had only modest effect on the South African economy and may actually hurt the black population they are intended to help. The country is saddled with a foreign debt totalling $14 billion and inflation is expected to reach 15-20 percent in 1989. Continued decline in the price of gold, which makes up one-half of South Africa's export earnings, has also squeezed the economy. The 1988 growth rate of 2.2 percent was barely enough to keep pace with the national population growth.

Despite its ills, South Africa remains the dominant force—economically and militarily—in sub-Saharan Africa. While anti-Pretoria policies prevail in most African nations, only Guinea Bissau has no trade with South Africa. In fact, trade with other African nations totalled over $2 billion last year.

So long as many southern African nations remain economically dependent on South Africa, Pretoria will have little to fear from its neighbors. South Africa has more to fear from inside its own borders as the radical black left and the nationalist right polarize public
opinion and reduce the chances for peaceful reform of a detestable racist political system.

Zimbabwe

Population: 9,310,000.
Government: Socialist state.
Head of Government: President Robert G. Mugabe
GDP: $5.55 billion.
Per Capita Income: $620.
Defense Expenditures: $423.74 million.
Armed Forces: Army—46,000; Air Force—1,000; Paramilitary—38,000.
Forces Abroad: 6,000-12,000 (Mozambique).
Total Regular Armed Forces: 47,000.

In December 1987 Executive President Robert Mugabe successfully co-opted his greatest political rival, Joshua Nkomo, setting the stage for Mugabe's stated goal of single party rule in Zimbabwe by 1990. Nkomo, ostensibly the leader of the nation's minority (18 percent of population) Ndebele-speaking people of the southwestern Matabeleland region, agreed to meld his political party, Zimbabwe African People's Union or ZAPU, with the majority Shona-speaking Zimbabwe African National Union-Patriotic Front, or ZANU-PF. The new alliance between Zimbabwe's two major leaders has in large part been responsible for ending the violence between the Zimbabwean Army and dedicated followers of Nkomo, fighting which had claimed about 1,500 fatalities over the last three years.

Mugabe is pulled between efforts to spur Zimbabwe's economy while opposing South Africa's policy of apartheid. Seventy percent of Zimbabwe's foreign trade moves by road or rail through South Africa to various ports. Although Mugabe has moved to reduce Zimbabwe's economic dependence on South Africa, Pretoria remains its largest trading partner, buying 18 percent of Zimbabwe's exports and providing 20 percent of its imports.

Zimbabwe is one of the few black-African countries able to meet its own subsistence needs in agriculture and still export the surplus—mainly tobacco and cotton. This, despite a five-year drought which finally ended in 1988. Hampered by a birth rate of 3.5 percent, Zimbabwe's per capita GNP has barely improved in recent years, and the country remains dependent on its adversary South Africa for its economic well-being. Although inflation is under control, unemployment is a major problem as hundreds of thousands of Zimbabweans who have benefited from major expansion of the education and public health systems, are entering an economy already suffering from a 25 percent unemployment rate.

Minor signs of political discontent with ZANU-PF surfaced in September and October as students clashed with police during demonstrations protesting government corruption. Mugabe has alienated both the left, by continually failing to deliver on promises of sanctions against South Africa, and the right who want greater political and economic opportunity than he is willing to permit. Given his penchant for both pragmatism and caution in both domestic and foreign affairs, and his continuing popularity among the vast majority of Zimbabweans, there is little likelihood that Mugabe will initiate any radical policy changes in the coming months.

Mozambique

Population: 13,576,000.
Government: Socialist one-party state.
Head of Government: President Joaquim Chissano
GDP: $2.55 billion.
Per Capita Income: $210 (1986 estimate).
Defense Expenditures: $106.9 million.
Armed Forces: Army—35,000 (75% conscripts); Navy—700; Air Force—1,000; Paramilitary—59,500.
Total Regular Armed Forces: 36,700 (10,500 conscripts).

This drought-plagued and war-ravaged southern African nation remains among the world's most desperate. The civil war between the nominally marxist government party, FRELIMO (Front for the Liberation of Mozambique), and the right-wing insurgent group, RENAMO (Mozambican National Resistance), enters its 13th year with no apparent movement toward negotiation or peace.

President Joaquim Chissano who served as Prime Minister of Mozambique for 12 years before becoming President in 1986, has asked for and received Western political and economic support in recent months while still retaining his country's historic military ties to the Soviet Union. In addition to Soviet, East German, Cuban and North Korean advisers and weapons, Mozambique is now receiving military training and non-lethal military assistance from Great Britain, Spain, Portugal and Italy.

This rapprochement with the West spread to neighboring South Africa when Pretoria sent hundreds of tons of non-lethal military material, including 34 vehicles, to Mozambique to help its security forces protect the Cohora Bassa dam from attacks by RENAMO units. That hydro-electric plant could eventually meet all of Mozambique's power needs and provide a large surplus to South Africa.

The RENAMO insurgents have been hurt in the international community, by reports of their brutal tactics. In April, the U.S. State Department released a report citing RENAMO's involvement in about 100,000 Mozambican deaths in just the last two years. Most of these were civilians, many of whom died by torture or starvation or were worked to death as slave laborers.

The combination of drought and war has cut
Mozambique's per capita GNP to $95, half its 1980 level, making it one of the poorest nations in the world. The infant mortality rate has doubled in the 1980's to 350/1000, the highest of any nation. The refugee problem in Mozambique is the worst in Africa. Estimates place the number of "deslocados" at 1.5 million. Three-quarters of a million Mozambicans have fled to Malawi, while another 225,000 have entered South Africa.

Mozambique has become the focal point for the West's efforts to wean a third-world nation from Communism through economic aid. The government realizes the need for Western help for its economy while the U.S. sees a chance to counter Soviet influence without the risk of supporting a questionable rebel group. For the sake of Mozambique's future, it is hoped both governments are successful.

With the cease-fire in the Gulf war, Saddam Hussein claims Iraq won the war with Iran. On the other side of that conflict, Iran's Ayatollah Ruhollah Khomeini grows more fragile and, barring Allah's firm intervention, can reasonably be expected to be replaced next year.

Egypt
Population: 52,692,000.
Government: Republic.
Head of Government: President Hosni Mubarak
GDP: $62.94 billion.
Per Capita Income: $760.
Defense Expenditures: $5.64 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—374,000.
Total Regular Armed Forces: 445,000 (250,000 conscripts).

For Egypt, this was another year of coping with domestic adjustment required by a burgeoning population, a reduced foreign trade balance, and the resulting high unemployment rate. President Mubarak has been able to maintain a steady course despite pressure from right-wing religious fanatics and the usual left-wing agitators.

Domestic politics in Egypt are inexorably tied to foreign affairs, and in this area Egypt may be considered to have made some progress. The rupture of Egypt's relations with most Arab neighbors, caused by the Sadat-Begin signing of the Camp David Accords, appears to be healing as most Arab countries have now resumed formal ties with Egypt. Mubarak continues to maintain that the path to solution of the Israeli-Palestine problem is through peaceful negotiations. So far, Egypt is the only Arab nation pledged to peace with Israel.

Mubarak has proposed an initiative urging Palestinians to stop their violent protests against the Israelis. In return, Israel would not initiate new Jewish settlements in the occupied territories. In Mubarak's scenario, these actions would then lead to a conference to address the problem in its entirety. The Egyptians were disappointed in the Shultz decision to deny Arafat a visa to address the U.N. Whether this was a real objection or adherence to the Arab party line remains a matter of conjecture.

Next to a solution of the Israeli-Palestinian problem, Egypt's crying need for foreign aid, particularly from the United States, is paramount. Egypt's foreign debt is about $40 billion, of which $2.3 billion is provided annually by the United States in the form of military and economic aid. Because of Egypt's relationship with Israel, Mubarak would like to have the U.S. write off about $4.5 billion of the debt for arms purchases made since the 1979 peace treaty.
The peaceful solution of the Wadi Taba dispute in which Egypt and Israel agreed to arbitration over a narrow strip of land at the head of the Gulf of Aqaba has been salutary. Egypt won the arbitration through the World Court in Geneva and it appears that the decision will be acceptable to all sides.

Libya
Population: 4,304,000.
Government: Islamic Arabic socialist under military control.
Head of Government: Col. Muammar el-Qaddafi
GDP: $23.282 billion.
Per Capita Income: $6,220.
Defense Expenditures: $1.39 billion.
Armed Forces: Army—55,000; Navy—6,500; Air Force—10,000; Paramilitary—2,500; Reserves—40,000 people’s militia.
Forces Abroad: 700-1,000.
Total Regular Armed Forces: 71,500.

Compared to other recent years, 1988 was somewhat a year of change in Libya. The mercurial Col. Muammar Qaddafi seems to have moderated his approach to some of his many problems both at home and abroad. It is obvious that the bombings of his headquarters in April 1986 by the United States had some influence on Qaddafi’s outlook. Yet few among the world’s experts believe that he will ever forsake terrorist activity completely. Rather, it is widely held that Libyan-sponsored terrorist activities are being conducted by surrogates of the likes of Palestinian terrorist Abu Nidal. The apprehension last July of a group of alleged Libyan terrorists fronting as a travel agency in Washington was
one more event that demonstrated Qaddafi's not-so-peaceful intentions.

On the other hand, starting early in the year Qaddafi met with Tunisian President Ben Ali and expressed hope of a rapprochement within the "Great mahgreb of five" (Mauritania, Morocco, Algeria, Tunisia and Libya). Leaders of those countries apparently believe that it makes sense to try to control Qaddafi from the inside rather than having him at odds with them. Over the years, all have been subject to attacks, both verbal and physical, by the man the late Anwar Sadat once called "the village idiot of the Arab world.''

The truce between Libya and Chad, approved in September 1987, was formalized on 3 October 1988. That agreement seeks to restore diplomatic relations and settle, in a responsible and understanding manner, the Libyan-Chadian border dispute that has existed for years.

Internally, Qaddafi has recently eased some of his autocratic restrictions on the Libyan people. At a General Peoples Congress in the Spring of 1988, he announced that some private enterprise would be allowed in Libya's economy. Despite these moves, the distribution of products remains a problem of significant proportion. So too are the enormous debts incurred by purchasing armaments, mainly from the Soviets, over the years.

Qaddafi's international image was further blemished this year when he permitted the construction of a chemical plant in Libya that would have the capability of producing 10,000 pounds of mustard and nerve gas daily. This plant was reportedly constructed by Czech, East German and Soviet engineers, and is a matter of grave concern in many Western capitals.

At the close of 1988 there was, on the part of many in the West, a discernibly more positive attitude toward Libya than in some recent years. That attitude, however, was often tempered by the realization that dealing with Qaddafi is ever a tenuous undertaking.

Lebanon
Population: 3,320,522.
Government: Nominally a republic.
GDP: $5.3 billion (1983 estimate).
Per Capita Income: $1,150 (1983 estimate).
Armed Forces: Defense Expenditures: Despite the break-up of the Lebanese armed forces, some units are still paid from national funds (Military Balance). They are referred to here as National Armed Forces: Army—15,000; Navy—500; Air Force—800; Paramilitary—8,000. Total Regular Armed Forces: 16,300.

Last year, in this space, we intimated that things couldn't get much worse in Lebanon. That was an optimistic forecast. Not only have things worsened, the situation now is one of absolute chaos.

To begin with, there is no agreed-upon national government. When his six-year term as President ended last July, Amin Gemayel, filling in for his assassinated brother, appointed a transition government to be headed by Gen. Michel Aoun, head of the Lebanese Army. This came about as a last resort when the Lebanese Parliament could not agree on a political successor to Gemayel.

The legitimacy of Aoun's appointment is hotly challenged by Beirut's Muslim leadership which maintains that the caretaker government of Prime Minister Selim al-Hoss is the de facto government.

All of this gets further confused by a 45-year-old unwritten covenant through which Lebanon's warring factions agreed that the post of prime minister would be filled by a Sunni Muslim, the presidency held by a Maronite Christian and the speaker of parliament would be a Shiite Muslim. Such an arrangement in the climate of Lebanon was doomed from the outset.

The bottom line crisis facing Lebanon right now is the very real specter of complete partition based along religious lines. There are many who feel that the most potent force favoring partition is represented by the Lebanese Forces headed by Samir Geagea. Like his opposition, he has strong external supporters, including Iraqi, his major source of arms. Saddem Hussein, the President of Iraq, has no intention of letting his nemesis Hafez Assad of Syria take command of the situation, although Syria does keep over 50,000 forces in the area. That comes very close to being a de facto occupation in itself.

United States policy in Lebanon has been dismal at best. Not only has Washington failed to find a solution, but American policies have seemingly thrown oil on the fire at every turn. The latest effort was to strongly support the Syrian candidate for President, Mikhail Daker. Whatever his virtues, it was fairly widely known that he would not be acceptable as a candidate by either the Lebanese Forces or the Maronite Militia.

About the only positive statement that can be made about Lebanon in this 12 months is that the hatchet was buried long enough to run Yasir Arafat's PLO out of the country.

Syria
Population: 11,350,000.
Government: Socialist.
Head of Government: President Hafez al-Assad
GDP: $29.73 billion.
Per Capita Income: $1,570.
Defense Expenditures: $1.60 billion.
Armed Forces: Defense Expenditures: Army—300,000 (130,000 conscripts, 50,000 reserves); Navy—4,000 (2,500 reserves); Air Force—40,000; Air Defense Command—60,000; Paramilitary—14,300. Forces Abroad: 30,000. Total Regular Armed Forces: 404,000.
With the cessation of the Gulf War, Syria has become even more isolated in the Arab world. Already estranged from several Persian Gulf nations, Syria now becomes exposed to the hostility of Iraq for supporting Iran during the eight-year war. One pundit has described Syria as the "outpost of rejectionism" in the Arab world.

Since a 1970 coup brought him to power, President Hafez al-Assad has moved to project his nation as one indispensable to solution of the region's many problems. This has brought Assad financial support from oil-rich Gulf nations and his alliance with Iran has earned him great quantities of free or cut-rate oil. Assad was the commander who lost the Golan Heights to Israel in 1967 and still adamantly opposes the acceptance of a Jewish state in the Middle East. He has often sworn to "liberate" the Golan once Syria reaches parity with Israel, leaving Israel with no doubt that Syria is its main enemy.

Paradoxically Syria, by far the most radical of the so-called confrontational states bordering Israel, has done its best to confound the Palestine Liberation Organization. Not only has Assad sought to direct PLO efforts, he has been accused of fostering revolt against Chairman Yasir Arafat.

Iran's capitulation in the Gulf War has most certainly increased the intensity of nervousness on the part of nearly everyone in Damascus. Once again, Syrians see themselves as having backed a loser. But by Middle East standards at least, Assad has proved to be a survivor even though his efforts to control events in Lebanon have borne little fruit. Certainly, he doesn't contemplate annexation but unless he can help prevent drastic partitioning of Lebanon, he may find his country an even more lonely outpost. Assad's only hope is to seriously modify the positions that have gotten him into this box.

Still, Assad should not be counted out yet. Having survived for 19 years in an extremely volatile environment, and having overcome numerous serious health problems, Assad has established that almost anything is possible.

Israel
Population: 4,466,000.
Government: Parliamentary democracy.
Head of Government: Prime Minister Yitzhak Shamir
GDP: $34.70 billion.
Defense Expenditures: $5.71 billion.
Armed Forces: Army—104,000 (88,000 conscripts, 598,000 on mobilization, 494,000 reserves); Navy—9,000 (3,000 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.
Total Regular Armed Forces: 141,000 (110,000 conscripts).

Israel enters the fifth decade of its existence confronted by one of the most serious crises in its extremely volatile history. Israel is a nation born of crisis but the ongoing Palestinian uprisings (the intifadah) in the West Bank and the Gaza strip may be the toughest to solve in the country's short history.

Israel is a country roughly the size of New Jersey. About 90 percent of its population currently resides in an area the size of urban Indianapolis. But the challenges Israel currently faces suggest a territory much larger.

Adjacent to this commentary is a chart which outlines the background and current situation in the areas now being hotly contested. The issues involved are centuries old. Who, for example, has claim to this generally rocky, forbidding territory for which so much blood has been shed? In recent months, 1,750,000 Palestinians now living in the West Bank and Gaza have used strikes, stones, bottles and other forms of resistance short of firearms to assert the Palestinian right to what they believe to be their legitimate homeland. More than 200 Palestinians have been killed and countless others brutally beaten. Much of this has been seen on both external and internal television, leading to severe criticism of the Israeli Army both at home and, more importantly, among the finan-

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West Bank: Numbers tell the story

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cial supporters of Israel from overseas. But the Israeli Army’s frustrating choices have been few. Rarely, has a military force had to deal with such a situation.

The just completed Israeli elections continue the contretemps, since neither the Likud nor the Labor Party won a clear majority. But the Likud hard-liners won enough to give them the opportunity to put together a new government. This has been a most difficult task. Any Likud coalition will give little accommodation to the current Palestinian demands; additional Israeli settlements will be established in the West Bank and the Gaza Strip; and that there will be no recognition given to Palestinian national claims without a clear Palestinian commitment to Jewish self-determination and a full recognition of Israel as a country with a right to be where it is. The current climate suggests such a solution may be far off.

**Jordan**

Population: 3,931,000 (includes West Bank).

Government: Constitutional monarchy.

Head of Government: King Hussein I

GDP: $4.963 billion.

Per Capita Income: $1,540.

Defense Expenditures: $762.8 million.

Armed Forces: Army—74,000 (30,000 reserves); Navy—250 (Coast Guard); Air Force—11,000; Paramilitary—20,500.

Reserves: 35,000 (all services).

Total Regular Armed Forces: 85,250.

Jordan has been described variously as a country that is important enough not to be ignored yet lacking the power to be heard. King Hussein continues to wrestle with this dilemma and has this year again proven to be a survivor in a high stakes poker game in which he can scarcely meet the ante.

The single most significant event involving Jordan this year was a decision by Hussein that sent political and economic shockwaves throughout the Middle-East. In July, hoping to avoid further involvement, he announced the decision to abrogate Jordan’s claim to the West Bank, now occupied by Israel. That one act had the effect of disenfranchising 850,000 Palestinians who are living there under the guise of Jordanian citizenship.

For Jordan, the fate of the Palestinians is more than an intellectual issue. Jordan’s very survival may hinge on reducing tensions within the Palestinian community. Tempers have been boiling since last December when Palestinians in the West Bank and Gaza began the “intifadah” or insurrection. Most Palestinians in the occupied territories have relatives in the East Bank who have become understandably uneasy.

Though virtually landlocked, Jordan is strategically located. Its Western border extends nearly the length of Israel and that alone puts Jordan squarely in the center of the Arab-Israeli conflict. The country has few re-

**Iran**

Population: 52,800,000 (tentative due to unknown casualties in Iran-Iraq war).

Government: Islamic republic.

Head of Government: Ayatollah Ruhollah Khomeini

GDP: $174.46 billion.

Per Capita Income: $1,690.

Defense Expenditures: $8.96 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—3,546,200; Revolutionary Guard Corps: 250,000.

Forces Abroad: 2,000 Revolutionary Guards.

Certainly the most significant event of 1988 in the Mid-east was the cessation of the war between Iran and Iraq. On August 20, 1988, after eight years of bloodshed, 500,000 deaths and more than 1.7 million injured, Iraq accepted a United Nations-sponsored cease-fire.

The carnage began back in 1980, when the Ayatollah Ruhollah Khomeini, head of Iran’s new Revolutionary Islamic Republic, made it clear that he intended to topple Iraq’s secular Baath party regime. The chronology of the Gulf War, shown elsewhere on these pages, details how the tragic scenario played out.

Until 1975, Iraq had claimed sovereignty over the entire Shatt-el-Arab waterway which provides Iraq’s only outlet to the Persian Gulf. In 1975, the late Shah of Iran and Iraq’s leader Saddam Hussein signed an agreement placing the boundary in the middle of the waterway. Saddam repudiated this agreement after the Iranian revolution but now Iraq wants it reinstated.

Iran hopes also that with the cease-fire, Iranian assets frozen in the U.S. will be returned and that the October 1987 embargo against the importation of Iranian goods to the U.S. will be lifted. Already, Britain has resumed diplomatic relations with Iran. Saudi Arabia and other oil-rich states are also seeking to normalize their relations with Iran.
Iran now faces the Herculean task of physically and economically rebuilding a shattered nation. During the course of the war, more than 160 missiles struck the capital city of Teheran. Equally tragic was the destruction caused by some 38 missiles which hit the city of Isfahan, the center of Iranian culture. More than 100 historical monuments were hit and at least 40 were completely destroyed. The famous Friday Mosque, dating back over 900 years, was hit but repairs are already being effected.

The damage to the Iranian economy is overwhelming. The task ahead for Iranians is further complicated by the physical deterioration of their aging leader, the Ayatollah Khomeini. It is clear that the emerging new leader in Iran is Hashemi-Rafsanjani, commander-in-chief of the Armed Forces. He appears to have Khomeini's complete confidence and is recognized now as the operating head of the theocracy which governs the country. His task is gargantuan.

Iraq
Population: 16,278,000.
Government: Ruling council.
Head of Government: President Saddam Hussein
GDP: $36.507 billion.
Per Capita Income: $2,140.
Armed Forces: Army—955,000 (480,000 active reserves); Navy—5,000; Air Force—40,000; Paramilitary—4,800.
Total Regular Armed Forces: 1,000,000.

Now that the cease-fire with Iran is apparently taking hold, Saddam Hussein, the President of Iraq, is anxious

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<tr>
<th>CHRONOLOGY OF THE PERSIAN GULF WAR</th>
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<tr>
<td><strong>1980</strong></td>
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<tr>
<td>Sep 17   — Iraq claims sovereignty over Shatt al-Arab waterway; border clashes erupt.</td>
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<td>Sep 20-22 — Full-scale war breaks out.</td>
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<td>Oct      — Iraq makes early gains; captures Iranian port of Khorrarmshahr.</td>
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<td><strong>1981</strong></td>
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<td>Sep 27-29 — Iranian counterattack ends siege of Abadan.</td>
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<td><strong>1982</strong></td>
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<td>Mar 22-31 — Iran launches spring offensive.</td>
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<td>Apr 8-10 — Syria closes borders with Iraq.</td>
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<td>May 24   — Iran recaptures Khorrarmshahr.</td>
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<td>Jun      — Iran rejects Iraqi cease-fire offer.</td>
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<td>Jul 14   — Iranian forces enter Iraq for first time.</td>
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<td><strong>1983</strong></td>
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<td>Feb-Apr — Iran launches new offensives.</td>
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<td>Jul      — Iranian forces capture Haj Omran in Iraqi Kurdistan.</td>
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<td><strong>1984</strong></td>
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<td>Feb-Mar — Iranian offensives seize Majnoon islands. Iraq attacks gulf shipping, employs chemical weapons.</td>
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<td>May      — “Tanker war” escalates; Iran hits Saudi and Kuwaiti ships.</td>
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<td><strong>1985</strong></td>
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<td>Mar      — Iraqi Air Raids hit Teheran; Iranian missiles strike Baghdad.</td>
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<td><strong>1986</strong></td>
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<td>Feb      — Iran captures Iraq’s Fao peninsula.</td>
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<td>Aug-Dec  — Iraq raids Iranian oil ports.</td>
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<td><strong>1987</strong></td>
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<td>Jan      — Iran again fails to take Basra.</td>
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<td>Jul 20   — Iraq accepts, Iran hedges on UN resolution 598 to end the war.</td>
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<td>Jul 24   — American reflagged Kuwaiti tanker hits mine in gulf.</td>
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<tr>
<td>Aug-Sep  — West European minesweepers sent to gulf.</td>
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<td>Sep 21   — U.S. helicopters sink 3 Iranian speedboats, one minelayer.</td>
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<tr>
<td>Oct 19   — U.S. forces destroy Iranian oil platforms.</td>
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<td><strong>1988</strong></td>
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<tr>
<td>Feb 29   — Teheran suffers heavily from Iraqi missile attacks.</td>
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<tr>
<td>Mar 15-17 — 5,000 Kurds killed in Iraqi gas attack.</td>
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<tr>
<td>Apr      — Fao retaken by Iraq; U.S. retaliates for mine hit on U.S. frigate.</td>
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<tr>
<td>May 25   — Iraq recaptures area near Basra, crushes Iran’s counterattack.</td>
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<tr>
<td>Jun 25   — Iraqi victories continue, retake Majnoon islands.</td>
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<tr>
<td>Jul 3    — Iranian Airbus shot down by the U.S.S. Vincennes.</td>
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<tr>
<td>Jul 18   — Iran accepts UN resolution 598, now Iraq stalls.</td>
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<tr>
<td>Aug 8    — UN announces truce term acceptance by both sides.</td>
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<td>Aug 20   — Cease-fire takes effect.</td>
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to be acknowledged as the victor in that war. He feels he needs to justify to his own people the great price in blood and treasure expended as a result of the Iraqi attack on Iran eight years ago.

Fortunately for Hussein, he emerged from the war with some scores to his credit. It was the Ayatollah Khomeini and the Iranians who accepted the cease fire on less than favorable terms. Hussein comes out of it all with armed forces that are bigger and more battle-trained than any other in the Mideast. The exigencies of the war forced Hussein to cast off some of the unworkable notions of the Baath socialist ideology which his government officially propounds. His bureaucracy has been streamlined and the private sector has been allowed to play a larger role in Iraq's economic development.

There are other positives worthy of comment. Iraq sits atop 100 billion barrels of proven oil reserves. Unlike other Mideast countries, it is blessed as well with adequate water supplies and has a tremendous agricultural potential. Hussein's massive adult-literacy campaign has resulted in almost 90 percent of Iraqi women being able to read and write. At least 85 percent of Iraqi homes have electricity and almost all have running water. Nine years of compulsory education is required for each Iraqi youngster.

But many serious problems resulting from the war remain to be solved. The Shatt-al-Arab waterway which provides Iraq's only port on the Persian Gulf has been shut down during the recent war years. Some 90 ships are believed sunk there; it is heavily silted and numerous mines and other unexploded munitions add to the problem of making it again navigable. This same waterway has been a bone of contention between Iraq and Iran for centuries.

One of the most pressing problem for the Iraqi is the intransigence of its large Kurd population. The Kurds compose about one-fifth of the population and are a tightly-knit community. Even though the area of Kurdistan extends into Turkey and Iran, it has been Hussein's treatment of the Iraqi Kurds that has given him a black eye in the international community.

The most publicized episodes have been the allegations of the use of chemical agents inflicting indiscriminate injury and death to Kurdish women and children. Despite Iraqi government denial of these allegations, the United States government has deemed such inhumane acts and, at the instigation of the Administration, both the Senate and House have imposed economic sanctions against Iraq.

Whatever degree of chemical use was employed violates long-established international agreements to avoid this particularly abhorrent form of warfare. So the fact remains that Saddam Hussein has seriously blighted his country's image, and the international role he might wish to play is diminished.

Saudi Arabia
Population: 13,096,000.
Government: Monarchy with council of ministers.
Head of Government: King Fahd
GDP: $74.259 billion.
Per Capita Income: $6,950.
Armed Forces: Army—38,000; Navy—7,800 including 1,200 Marines; Air Force—16,500; Paramilitary—64,500.
Total Regular Armed Forces: 72,300 including 10,000 National Guard.

Economically, Saudi Arabia has embarked on a program to insure financial stability for the future. During the 1970's, the country was carried high on a tidal wave of petro-dollars. Much of this income was used to create an immediate political infrastructure, with little thought given to the long term. Basically, Saudi Arabia produced oil, but did not refine or market it. Lately, the government has expended intense efforts to develop a refining and marketing capability. Between 1981 and 1987, Saudi oil exports have dropped 82 percent in value. During the same time the comparable reduction for the rest of the OPEC nations is valued at 53 percent.

Militarily, 1988 was a busy year for the Saudis. In March, much to the consternation of the United States, Riyadh announced the purchase of a quantity of DF3 missiles from the People's Republic of China. These intermediate-range missiles can effectively cover all of the Middle East. The purchase was in reaction to the reticence of the U.S. to sell arms which are perceived by Israel to be a threat. Since the Saudis already have a similar capability with their American F15 and British Tornado fighters, the purchase appeared to be largely symbolic. But, it also showed the Arab world that the Saudis were not completely beholden to the U.S.

As if the purchase of the Chinese missiles were not enough, in the summer of 1988 King Fahd announced a $30 billion arms purchase agreement with the British. This 30-year contract represents a colossal loss of American jobs and investment.

During the same period, Saudi Arabia broke diplomatic relations with Iran. This rupture was caused by persistent Iranian attacks on shipping in the Persian Gulf and by riots at Mecca during the pilgrimage in 1987. The Saudis are certain that the Mecca trouble was instigated by Iranians. Yet, while diplomatic relations were severed with Iran, Saudi Arabia made tentative movement toward the re-establishment of relations with the USSR, broken in 1938. And despite the strong anti-communist bias of the Saudi Royal Family, further visits were made to the People's Republic of China by a number of high Saudi officials.

In summary, Saudi Arabia, while still a strong friend of the United States, appears to be restless with the arrangements that have been in force for four decades. Its request for the recall of the U.S. ambassador this
year is indicative. The source of discontent is the United State's position regarding Israel, and the anti-Arabian stance of Israel and its friends.

ASIA AND THE PACIFIC—NEW PATTERNS OF POWER

Considering the Soviet troop withdrawal from Afghanistan, the first Asian mainland-hosted Olympic games and the economic miracle along the Pacific rim, former U.S. Ambassador Mike Mansfield's prediction that the 21st Century would be the Pacific Century appeared to be a good, if not a sure bet. Peace initiatives outnumbered war-like operations and Japan, the region's major economic power, finally emerged as a budding player in the diplomatic, as well as the military spheres.

At long last, after nine years of conflict and six years of negotiations, the Soviets started withdrawing their troops from Afghanistan. Vietnam joined the parade and withdrew about 35,000 soldiers from Cambodia. Yet, in both Afghanistan and Cambodia, the survivors of the conflicts face continued violence, governments unable to govern and devastated cities and countrysides.

Soviet efforts to upgrade their regional position picked up steam with commercial and diplomatic overtures to the Philippines, Australia and numerous other South Pacific nations. Soviet relations with Japan remained frosty, but the aging Deng Xiaoping agreed to travel to Moscow to meet with Gorbachev—the long anticipated Sino-Soviet summit is a reality.

Despite Soviet inroads, the United States' position in the Pacific remained firm. America's Pacific allies seem comfortable with the United States as a Pacific power and the stability she provides to the area. Filipino/U.S. negotiations dealing with U.S. bases at Subic Bay and Clark Field were successfully completed and, despite increased trade competition between the two industrial rivals, Japanese-American defense cooperation significantly improved.

The four economic "tigers" (South Korea, Taiwan, Hong Kong and Singapore) all achieved real growth rates in the 8-12 percent range and may soon be joined by a fifth tiger, Thailand. Even the Philippines had about six percent real economic growth. Many other nations in the area are being swept by the capitalist current as the economic theories of Marxism are discredited in much of Asia. Transition to a free marketplace was slowed in China and Vietnam because of internal reservations on the part of the individual Communist parties, but the slowdowns appear to be temporary.

In sum, 1988 was a pivotal year in the Pacific. Given a warming in Sino/Soviet relations, the informal relationship between Japan, China and the United States may be starting to shift. However, most experts still suggest that, despite Soviet efforts, this giant communist power has little to offer nations in the Pacific.

Japan
Population: 122,090,000.
Government: Parliamentary democracy.
Head of Government: Prime Minister Noboru Takeshita
GDP: $2.119 trillion.
Per Capita Income: $12,840.
Defense Expenditures: $29.63 billion.
Armed Forces: Army—156,000 (45,000 reserves); Navy—44,000 (800 reserves); Air Force—45,000 (600 reserves); Paramilitary—12,000.
Total Regular Armed Forces: 245,000.

Last year when Prime Minister Noboru Takeshita, the retiring soft-spoken professional politician, assumed control of the Japanese government, many believed his administration would pale when compared to the dynamism of the Nakasone era. The performance of Takeshita in his first year has laid those fears to rest. While following the Nakasone guidelines, Takeshita has succeeded in tasks which often frustrated his predecessors. A growing confidence born of its financial might contributes to Japan's assertiveness. This year, for the first time, Japan sent people, as well as money, to the United Nations for peacekeeping in Iran and Afghanistan. At the Economic Summit at Toronto, Takeshita offered a new plan designed to handle world debt problems and suggested that representatives from the four emerging economic "tigers" of the Pacific rim attend the next summit. In 1988, Japan budgeted $10 billion for foreign aid and thus displaced the United States as the world's most generous donor. Two-thirds of the assistance will go to Asian countries and only about 13 percent comes with strings attached. By contrast, 38 percent of U.S. aid is "tied."

This change in Japan, accelerated in 1988, must be viewed as evolutionary. There is still significant domestic opposition to Japan's new role in the world. There is ambivalence concerning a foreign policy which lacks an ability to project military power and with a constitution which limits the employment of military power.

To the cheers of the United States and possible fears of Japan's Pacific neighbors, Takeshita called for a steady build-up of controlled, but high quality, Japanese defense capabilities. Japan's defense budget in 1988 was more than $30 billion. This amount may surpass British, French, and West German defense budgets, making Japan number three in the world. The 1989 defense outlays, approved in January, represent 1.013 percent of the estimated Gross National Product and Japan will assume 40 percent of the costs of stationing
some 60,000 U.S. troops on Japanese soil ($45,000 per American).

In 1988 it became clear that Japan had defied conventional wisdom which predicted the economy would be devastated by the slide in the dollar. In fact, most experts agree that the weak dollar hastened Japan's arrival as an economic superpower. There is a new willingness by the Japanese consumer to buy homes, cars and almost anything expensive and made in Japan. In the Spring of 1987, Sony's sales in Japan overtook its U.S. business and Toyota sold more cars in Japan than overseas for the first time in seven years.

In the coming year, Japan's economy is expected to grow about four percent and the inflation rate to be less than one percent. Huge trade imbalances in Japan's favor continued in 1988 and Japanese per capita income is one of the highest in the world.

The internal debate as to Japan's role in the world was accentuated by the passing of Emperor Hirohito at age 87. Hirohito was the 124th emperor in a deity going back 2000 years. Some believe he should be the last. Regardless, his death has stirred debate on the imperial past, the wartime record of Japan and the nature of the Japanese state. Some Japan observers believe Hirohito's death will cause a surge of nationalism, release Japan from any residual war guilt, open the way to a constitutional revision and permit Japan to increase its efforts to rearm. The results of this debate will have profound impact on the future of Japan and, most likely, the rest of the world.
Republic of Korea

Population: 42,912,000.
Government: Republic.
Head of Government: President Roh Tae Woo
GDP: $121.31 billion.
Per Capita Income: $2,370.
Defense Expenditures: $5.73 billion.
Armed Forces: Army—542,000; Navy—54,000 (19,000 conscripts, 25,000 Marines); Air Force—33,000; Reserves—4,500,000 (all services); Paramilitary—4,100,000.
Total Regular Armed Forces: 629,000 (19,000 conscripts).

For the last several decades, writers on Korean affairs have characterized this "Land of the Morning Calm" as a turbulent nation, ever changing and constantly at the brink of war. The year 1988 was no different; in fact, it may have been the vintage year for change. The leap from an authoritarian regime to a no-holds-barred public investigation of ex-President Chun Doo Hwan's performance in office was almost revolutionary. Koreans witnessed a peaceful change of leadership at the national level, and saw the ex-president driven from Seoul in disgrace. All this was underscored by another banner economic year and a splendid, successful Olympic games in Seoul in September.

All told, 160 countries sent a record 14,000 athletes to the games. For the first time since 1976, athletes from the Eastern bloc and from the West competed against each other, with only seven countries—led by North Korea and Cuba—boycotting the games.

Korean President Roh Tae Woo said: "Hosting the Olympics was our leap into the developed world." There is good indication that he is right. Just prior to the games, Roh met with the Soviet minister-counselor, marking the first time a Korean leader has conferred with Soviet officialdom. Additionally, South Korea established new trade offices in Hungary and China and Roh predicted full diplomatic relations with China within five years.

North/South relations on the peninsula started the year in their normal frozen state. The subject of unification of North and South Korea received a big boost from South Korean students who took their crusade to the streets. This student pressure was supported by many in the general populace and helped move the issue forward on the agenda of both Seoul and Pyongyang.

Throughout the year, growing anti-American sentiment was strongly voiced by the students and was reflected in some measure by much of the general population. A great many Koreans are believed to feel their country is being stifled by the United States, and their strong feelings of nationalism demand that they be afforded treatment as equals of the Americans. There is no doubt that the large majority of Koreans have good feelings toward the United States and appreciate the contributions Americans have made to Korea over the years. However, more than half of the population was born after the Korean War and thus lacks the experience of their elders. Most authorities agree that there is a changing ROK/U.S. relationship which presents some difficulties in the short term. Hopefully, these can be settled amicably and the Korean-American kinship will eventually be strengthened.

The ROK/U.S. military alliance is also undergoing a maturation process. The threat from the North has not diminished. In fact, new SA-5 air defense systems and SU-29 high performance jet attack aircraft, provided by the Soviets this year, have increased the capability of the North Korean military. But there is a growing feeling that, barring any major shift in the power balance in northeast Asia, the Republic of Korea will reach military parity with the North by the mid-1990s. Korea's growing economic and political status and its successful conduct of the Olympic games has led many to call for a lower U.S. troop profile there. That could mean the removal of U.S. troops from Seoul, and more control of their own forces by the ROK Army.

What didn't change in Korea in 1988 was the economic miracle. In the face of major pay gains (industrial wages up 22 percent in 1987, about 15 percent in 1988), an appreciating currency and inflation held to about seven percent, Korean economic real growth will undoubtedly approach double-digit figures for 1988. Seoul anticipates increased trade with China, the Soviet Union, and the Eastern bloc countries. In 1987, the current account surplus with the United States was $9.78 billion; for 1988, it should climb to $12 billion or more. Democratic institutions such as political parties, free press, open trade unions and a stronger National Assembly have all prospered in 1988. There is every reason to believe that they will continue to grow in 1989.

North Korea

Population: 21,688,000.
Government: Communist dictatorship.
Head of Government: President Kim Il Sung
GDP: $42.36 billion.
Per Capita Income: $1,180 (1985 estimate).
Armed Forces: Army—750,000 (500,000 reserves); Navy—39,000 (40,000 reserves); Air Force—53,000; Paramilitary—38,000.
Forces Abroad: 600.
Total Regular Armed Forces: 842,000.

In September the "Great Leader," Kim Il Sung, celebrated the 40th anniversary of the Democratic People's Republic of Korea. Approximately 130 nations were represented at the ceremony, but North Korea's two main allies, the Soviet Union and China, did not send their first team players to the event. To anyone following North Korean activities, this occasion must be considered the centerpiece of a rather dismal year for
the isolated, unpredictable communist nation on the Korean peninsula.

The New Year opened with North Korea bowing out of the Olympic games, declaring that they would not participate if the games were singly hosted by Seoul. The International Olympic Committee left the door open for North Korea to reconsider, but efforts from many quarters to change North Korea's position failed. Only communist Cuba and a few other small communist states joined North Korea's boycott.

Financial and economic problems continued in 1988 and by most standards North Korea is nearly bankrupt. Dependent upon small-scale exports of iron ore, seaweed, snake meat and military equipment, Kim Il Sung's communist experiment falls further and further behind South Korea's economic dynamo. Moreover, there is a growing trend in Eastern bloc countries to increase their trade with South Korea, a trend which will put even greater pressure on the leaders in Pyongyang.

Domestic pressures on President Roh Tae Woo, President of South Korea, for unification of the two Koreas generated renewed interest in North/South talks during the latter half of the year. Kim Il Sung urged unification through a confederation of both systems—one country, two systems—as is envisioned with Hong Kong and China in 1997. Legislators of both countries finally met in late August, but little real progress developed.

With a peaceful Olympics now history and Seoul's increasing trade with China and other communist countries, there may be an opportunity to reduce the chance of war on the Korean peninsula. However, most experts believe major breakthroughs must await the death of Kim Il Sung. Consequently, Korea remains, as one United Nations delegate described it, "the most durable area of East-West tensions."

**People's Republic of China**

Population: 1,072,000,000.

Government: Communist people's republic.

Head of Government: Premier Li Peng

GNP: $293.57 billion.

Per Capita Income: $300.

Defense Expenditures: $5.78 billion.

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

Total Regular Armed Forces: 3,160,000 (1,350,000 conscripts).

Lately, China's foreign affairs seem to be based on a cautious new activism that lacks many of the ideological constraints of the past. During the past year, there were offers to the exiled Dalai Lama to negotiate the issue of Tibet that demonstrated unprecedented flexibility on the part of Beijing. Late in the year, Beijing outlined a position on Cambodia that favored neither Pol Pot's Khmer Rouge nor the Vietnam-backed Phnom Penh government. (A four-part coalition government was the Chinese solution and China would be willing to guarantee independence and non-alignment.) As the year ended, China concluded a first-ever border treaty with Mongolia.

China's relations with the United States remained proper and on track, but there were some ticklish spots. American concerns centered on Chinese Silkworm missile sales to Iran and sales of intermediate-range missiles to Saudi Arabia. On China's part there was some unhappiness over U.S. interest in human rights in Tibet, which Beijing viewed as interference in internal Chinese affairs. None of these concerns were considered unsolvable and at the beginning of the new year President George Bush announced that he would visit China in February while in the Far East to attend the funeral for Japanese Emperor Hirohito.

Sino/Soviet relations were also much improved in 1988. Several years ago, Chinese leader Deng Xiaoping laid out three conditions for better Sino/Soviet cooperation: removal of Soviet troops from Afghanistan, Vietnamese troops out of Cambodia, and reduction of Soviet forces along the Sino/Soviet border. As the year ended, the Soviets have made considerable progress in all three areas. The Chinese have cautiously responded to Soviet diplomatic efforts—recalling the Sino/Soviet split in the early 1960s which left China determined to never again be dependent on Moscow. Finally, in December, the long-heard rumors of a Sino/Soviet summit were confirmed. Gorbachev will visit Beijing during the first half of 1989.

There is no doubt that the planned meeting between Gorbachev and Deng has sparked western thinking. The informal, anti-Soviet, alliance made up of the U.S., China and Japan will be called into question and the power balance in East Asia and the Pacific could begin to tilt in a new direction.

The Year of the Dragon started with high hopes for continued economic reform and development. Yet, despite a significant growth in industrial output, increased two-way trade, and reduction of the unfavorable trade imbalance, it was clear by mid-year that the Chinese had an overheated economy. Inflation was up 19 percent, panic buying surged, and the muddled pricing system spawned corruption at nearly every level. The central bank in Beijing lost control of the money supply which increased 40 percent in 1988. Inflation continued to grow, reaching the 50 percent level in the cities, which substantially reduced the quality of life for workers whose wages didn't keep pace. In August, at a meeting of the leadership, Communist Party Secretary Zhao Ziyang tried to get his colleagues to accede to even faster economic reforms, but he failed. Two months later, the more cautious Prime Minister Li Peng prevailed and China reined in its shift to a capitalistic free market.

Problems in the economic sector did not interfere
with a massive overhaul of the government apparatus. Fourteen ministries were abolished and 10 new ones added with a reduction of 20 percent in the bureaucracy. Efforts were made to end the system in which government and party officials shared responsibility. Generally, the Chinese repudiated the Soviet model in many functional areas. Openness was the order of the day as both Zhao and Li held live free-wheeling western style news conferences.

China’s march toward a modern, progressive society continued in 1988, but the pace was clearly slowed. How China handles future relationships with the Soviet Union and what steps are taken in the economic sphere are the real questions for this, the Year of the Snake.

Taiwan
Population: 20,659,000.
Government: Republic.
Head of Government: President Lee Teng-hui
GNP: $80.42 billion.
Defense Expenditures: $6.70 billion.
Armed Forces: Army—270,000 (1,500,000 reserves);
Navy—35,500 (32,500 reserves); Marines—30,000
(35,000 reserves); Air Force—70,000 (90,000 re­
serves); Paramilitary—25,000.
Total Regular Armed Forces: 405,500.

As noted in our last assessment, great strides were taken by the government in Taiwan toward political and economic liberalization. With President Chiang Ching-kuo’s untimely death in January, many wondered if these long delayed changes would continue.

In contrast to South Korea’s bombastic process, Taiwan’s quiet story of democratization continues. President Lee Teng-hui, Chiang’s successor has proved to be a much more skilled and determined leader than many anticipated. Lee quickly reaffirmed the commitment of his predecessor to move Taiwan away from an authoritarian regime. He seems to be seeking a thaw with the other China, yet is quick to renounce the Hong Kong model as a solution to the China question. For President Lee as well as the ruling Kuomintang (KMT) party, Taiwan’s independence remains unacceptable.

In July President Lee was confirmed as chairman of the KMT, but he continues to share power with the aged stalwarts who fled to Taiwan from the mainland with Generalissimo Chiang Kai-shek. Consequently Lee must move cautiously on his domestic agenda.

From a foreign affairs standpoint, the mainland People’s Republic of China remains Taiwan’s central focus and some say relations have never been better between the two Chinas. Over 10,000 people from Taiwan visit the mainland each month and Taiwanese businessmen are now openly investing in China. The purchases of raw materials from the PRC has also been declared legal. Indirect trade between Taiwan and mainland China will approach $2 billion for 1988.

The booming economy continued in 1988 despite an October downturn in the Taiwan stock market. The Gross National Product will show seven or eight percent growth in 1988 as Taiwan continues to build up foreign exchange reserves—now more than $76 billion. Republic of China foreign trade will top $110 billion this year, a 26 percent increase over 1987 and will, for the first time, put Taiwan ahead of South Korea and Hong Kong in trade volume.

Taiwan is the United States’ fifth largest trading partner and almost 75 percent of its $19 billion surplus is generated by Taiwan/U.S. trade. Understandably, the U.S. is seeking to reduce this trade imbalance, but April trade talks between the two countries did little to solve the problem. The trade surplus with the U.S. is estimated to be in the $10-$12 billion range for 1988.

Taiwan occupies a strategic location in the western Pacific. It is important that President Lee Teng-hui is able to manage the many forces of change in a stable environment. It serves the interests of all, especially the United States, to assist in a peaceful transition.

Philippines
Population: 57,686,000.
Government: Republic.
Head of Government: President Corazon Aquino
GDP: $34.59 billion.
Per Capita Income: $560.
Defense Expenditures: $532.12 million.
Armed Forces: Army—65,000 (20,000 reserves);
Navy—23,000 (includes Marines and Coast Guard,
12,000 reserves); Air Force—16,000 (16,000 re­
serves); Paramilitary—45,000.
Total Regular Armed Forces: 147,500 (includes
43,500 Philippine constabulary).

As President Cory Aquino’s term in office passed the 1000-day mark, Filipinos give her performance mixed reviews. Yet, despite some sense of drift running through all levels of her government, most foreign observers now believe she will finish her term—which runs through 1992.

After some bluster, the government of the Philippines concluded an agreement which guarantees that the United States will have use of the strategic air and naval bases at Clark Field and Subic Bay through 1997. That agreement ended almost a year of tough, sometimes acrimonious, negotiations which at times created ill feelings on both sides. In exchange for the base rights, the U.S. will provide $481 million in military and economic aid for each of the remaining years of the agreement—up from the $352 million furnished in 1988.

President Aquino has taken a number of steps to ease tensions in the military which should serve her well in averting a repeat of the August 1987 coup attempt. Soldiers now receive more pay and are seeing needed improvement in their housing. To bolster her support of
the Army, President Aquino has taken a tougher stance in coping with the communist insurgency and has toned down her rhetoric concerning human rights abuses against the rebels.

Accepting Defense Secretary Rafael Ileto's resignation, Aquino appointed Fidel Ramos, the armed forces chief, to the post. Gen. Renoto de Villa, a hard-liner in dealing with the communist insurgency, was selected to replace Ramos.

The Philippine economy's performance this year was mixed. Inflation was running at a 9.7 percent annual rate and modest growth continued. There has been little or no growth in the agricultural sector this year and the land reform bill passed in June is less sweeping than many had hoped. Fewer peasants will be affected and there is not enough money to fund the land acquisitions.

The Republic of the Philippines has not been overlooked in the Soviet Union's diplomatic offensive in the Pacific. Soviet Foreign Minister Eduard Shevardnadze visited Manila late in December. His timing couldn't have been better since the visit came at a time when the Philippines government seems intent on following a more nonaligned foreign policy. The reaction of the Bush Administration to these latest Soviet overtures is anxiously awaited in Manila and other Asian capitals.

**Vietnam**

Population: 63,031,000.

Government: Communist.

Head of Government: Prime Minister Do Muoi

GDP: $20.4 billion.

Per Capita Income: $300.

Defense Expenditures: Not available.

Armed Forces: Army—1,100,000; Navy—60,000 includes 27,000 naval infantry; Air Force—12,000; Air Defense Forces—100,000; Paramilitary—1,620,000; Reserves: 3,000,000 (all services).

Forces Abroad: 150,000.

Total Regular Armed Forces: 1,118,000.

The communist regime in Vietnam has been seized with almost total economic breakdown despite nearly $2 billion in annual aid from the Soviet Union. In an effort to overcome many long-standing obstacles to trade, aid and foreign investment, Hanoi has tried to forge a less confrontational style of international diplomacy. The goal seems to be to try to bring the nation up to 20th Century standards before the onset of the 21st.

In 1988, a flurry of moves by the Vietnamese were obviously designed to establish better ties with Hanoi's chief protagonist, the United States. As expected, the accounting for U.S. servicemen lost during the war was a central issue. This year, the Vietnamese returned almost 100 sets of remains which they purported to belong to Americans. That compares with only eight such cases in 1987. For the first time, Vietnam has allowed American experts to travel in its northern provinces to investigate crash sites for American remains.

In the Spring, Vietnam announced it would withdraw 50,000 of its 120,000 soldiers from Cambodia by the end of the year. The rest would be withdrawn by the end of 1990. A combination of Soviet pressure and economic imperative seemed to be the main reason for the troop withdrawal. By the end of June, the Vietnamese withdrew their high command and all remaining Vietnamese units were placed under Cambodian control. However, in September, the troop pullout was slowed because the Cambodian Army was incapable of preventing Khmer Rouge guerrillas from retaking base camps once held by Vietnam troops.

In an attempt to normalize relations with Beijing, Vietnamese troop strength along the Chinese border was reduced and Hanoi vowed to relax a long standing policy of discrimination against its large ethnic Chinese population.

Vietnam's Communist Party leader, Nguyen Van Linh has encountered strong resistance to his attempts to reform Vietnam's Marxist-style economy. In fact, the reform bloc seems to be a minority in the Vietnamese politburo and party leader Linh has been forced to share power which makes for confusion and malaise.

Regardless of which economic system it follows, there can be little doubt that Vietnam is suffering chaotic agricultural and financial conditions. The northern provinces face serious malnutrition because of falling food production and rising population growth. Three years of crop failures caused by natural disasters, as well as serious shortages of fertilizer and pesticides, have brought large numbers of Vietnamese to the edge of starvation.

Inflation is running at 1000 percent—a situation which further undermines the vast impoverished masses.

It seems clear that survival of communist Vietnam is dependent upon acceptance into the family of nations. Vietnam's leadership appears intent on making all the correct sounds and taking the right steps. Just how credible these efforts will be could remain the fundamental issue for a long time.

**Cambodia**

Population: 7,765,000.

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; Navy—1,000; Air Force—800; Provincial Forces—25,000; Paramilitary—100,000.

Total Regular Armed Forces: 56,800.

On the ninth anniversary of the Vietnamese occupation of Cambodia, the Hanoi-backed Phnom Penh
communist government maintained fragile control of the cities while still being opposed in the countryside by a loose coalition of three resistance groups. The real military force in Cambodia remained the Vietnamese Army, but there were significant changes in the internal power relationship in 1988 and more appear to be in the offing.

Cambodia remains the victim of almost 20 years of hardship and strife. There is little industry and Phnom Penh, the capital city, is almost deserted. Approximately 300,000 Cambodians still live in the refugee camps located along the Thai/Cambodian border. Yet, despite this appalling situation and pronouncements that "Cambodia is dead," there are a few hints that some of the vital signs of the country are strengthening.

In Phnom Penh, some buildings are being refurbished, a few restaurants have reopened and illegal import/export trade is thriving. Soviet bloc diplomats and foreign aid workers predict that Cambodian farmers will grow enough rice this year to feed the entire population for the first time in 20 years.

Early in the year, Hanoi announced that 50,000 Vietnamese troops would be withdrawn from Cambodia by the end of 1988 and their entire 120,000-man force would be out by the end of 1990. Knowledgeable western diplomats report that around 35,000 had actually returned to Vietnam by the end of the year.

Prince Norodom Sihanouk, former Cambodian head of state, perennial international figure and sometimes leader of the resistance coalition, has been a major player in the search for a political solution to the Cambodian problem. Sihanouk's discussions with the current Cambodian Prime Minister, Hun Sen, were the prelude to an historic July meeting in Jakarta, Indonesia, which brought together for the first time all four factions in the Cambodian dispute.

As the year ended, it seemed clear that with the possible exception of the Khmer Rouge, all parties, including the superpowers, would profit from a political solution to the Cambodian maze. There are proposals that India act as an intermediary and a guarantor of peace, but in the final analysis, China and the Soviet Union hold the keys to peace in this battered land.

While the pathway to peace in Cambodia may now be emerging and the issues more easily defined, the journey itself remains a long and painful one.

*Data largely estimated. Very little reliable evidence available.

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**Thailand**

Population: 53,931,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Chatichai Choonhanen

GDP: $47.14 billion.

Per Capita Income: $810.

Defense Expenditures: $1.74 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—123,700.

Reserves: 500,000 (all services).

Total Regular Armed Forces: 256,000.

The most important news to come out of Thailand in 1988 concerned the remarkable economic growth of this constitutional monarchy. Thailand has become one of the fastest growing developing nations with a projected increase in economic activity of nearly nine percent, compared to 6.8 percent last year. Exports are soaring upward at a 40 percent annual rate and foreign debt seems to be under control.

Thailand is the world's fifth largest food exporter—and ranks first in canned pineapple and tuna. Output has been diversified, which lowered Thailand's dependence on agriculture from 30 percent of the economy to the present 16 percent. Manufactured goods now generate 60 percent of overseas revenues and cheap labor continues to attract major foreign investments. In sum, many believe Thailand is pushing to become the fifth "tiger" of Asia, joining South Korea, Taiwan, Hong Kong and Singapore.

Foreign businessmen look to the political stability of the 1980's as the major factor contributing to Thailand's economic prosperity. King Bhumibol Adulyadej—on the throne for 38 years—has kept the turbulent rivalries of the military and civilian elites within bounds. Moreover, the Thais appear to be fed up with attempted coups, the last of which was aborted in 1986. A relatively minor insurgency has been quashed, making Thailand one of the safest investments of the region's low wage countries.

In the early summer, Prime Minister Prem Tinsulanonda disbanded his faction-ridden coalition government and consequently headed off a no-confidence vote by calling for elections 24 months early. The Thai National party, headed by Chatichai Choonhanen, received the most votes and put together a five-party coalition with control of 215 of the 357 seats in the lower house of parliament. Prem rejected the offer to continue as the head of government and Chatichai, a retired Army major general and wealthy businessman, was sworn in as prime minister on August 10.

Thai/American relationships, dating from the Manila Pact of 1952 and the Rusk-Thanat communique of 1962, remained steadfast. In 1988, the United States provided a modest security assistance program,
designed to help modernize the antiquated Thai military. In addition, more than 60 U.S. Navy ships visited Thai ports last year.

As the year ended, Thailand was firming up its link with China in an apparent effort to gain leverage over the Vietnamese. The budding Thai/Sino relationship received a boost when the Thai Army commander announced his country's intention to purchase military hardware from China. For now, Washington seems to be encouraging this relationship, but others, especially several Association of Southeast Asian Nations (ASEAN) states, appear somewhat less sanguine. China's role in Southeast Asia draws mixed reactions from the countries in the region, but if it is trade they seek, the Chinese would be hard-pressed to find a more reliable partner than Bangkok.

**India**

Population: 799,727,000.

Government: Federal republic.

Head of Government: Prime Minister Rajiv Gandhi

GDP: $253.88 billion.

Per Capita Income: $290.

Defense Expenditures: $9.89 billion.

Armed Forces: Army—1,200,000 (200,000 reserves); Navy—52,000 including Naval Air Force; Air Force—115,000 (reserves: number unknown); Paramilitary—655,000.

Forces Abroad: 53,000 Sri Lanka.

Total Regular Armed Forces: 1,367,000.

In India, the world's largest democracy—800 million people, six main religions, 16 languages, at least 1600 dialects and numerous castes—communal violence rarely makes the front pages. But in the Punjab, India's richest state, the level of violence this year set new records. There were more than 2000 deaths as Sikh militants fought the government for the right to establish an independent Sikh homeland. Sikhs are now killing Sikhs and have even killed one of their five high priests for "collaborating with the government."

In May, there was a repeat of the 1984 Golden Temple (the main holy shrine of the Sikh religion) incident in which government troops battled Sikhs who used the temple as a fortress. This time highly trained Indian commandos were employed in lieu of regular soldiers, and they slowly squeezed the militants into surrender with little damage to the main temples in the shrine complex. In 1984 the Army had blasted its way into the Golden Temple.

On other fronts, 50,000 Indian troops deployed to the island of Sri Lanka last year appeared bogged down in their efforts to bring peace to that strife-torn country. Over 2000 civilians and 530 Indian soldiers have been killed there with little prospect of a settlement in the near future. To the far north, Gurkha militants agreed with New Delhi to end their regional conflict, and short-ly after that agreement, guerrillas in the state of Tripuiua called an end to their eight-year fight with the government.

The size of Gandhi's military is worrisome to many. India is now the world's fourth-ranked military power with a 1.1 million-man Army, 3000 tanks and 730 combat aircraft. Recent Soviet MIG 29 deliveries and the anticipated receipt of a Soviet-made early warning aircraft will help ensure a modern air arm. The Indian Navy, now a blue water force with two carrier battle groups, received its first nuclear-powered attack submarine from the Soviet Union in January.

In the area of foreign affairs, 1988 was a busy year for New Delhi. Mikhail Gorbachev paid an official three-day visit to India in November. His message to Gandhi was that the Soviets have not cooled in their desire for good relations with India. Given these assurances, Prime Minister Gandhi promptly paid a visit to Beijing with the hope of improving ties with China. The long list of problems between these two countries would include an unresolved Sino/Indian border dispute, India's close ties with Vietnam, and the fact that India is the only non-Soviet-bloc country to recognize the current Cambodian government.

The descendants of the late Prime Minister Jawaharlal Nehru have governed India for all but five of India's 41 years of independence. The respected Economist magazine noted recently that India has strong, mature democratic institutions and that India is not falling apart. What is needed, according to that publication, is more leadership from Rajiv Gandhi in the mold of his grandfather Nehru—a tough assignment.

**Pakistan**

Population: 102,844,000 (excludes Afghan refugees).

Government: Parliamentary democracy.

Head of Government: President Benazir Bhutto

GDP: $32.08 billion.

Per Capita Income: $350.

Defense Expenditures: $2.74 billion.

Armed Forces: Army—450,000 (500,000 reserves); Navy—16,000 (5,000 reserves); Air Force—17,600 (8,000 reserves); Paramilitary—164,000.

Total Regular Armed Forces: 483,600.

For Pakistan, a struggling Muslim frontline state, 1988 will never be forgotten. Historians will have no trouble identifying the major event as the assassination of its leader, President Mohammad Zia ul-Haq. That one event turned Pakistan upside-down.

On August 17, President Zia, accompanied by American Ambassador Arnold Raphael and the U.S. military attache in Pakistan, Brig. Gen. Herbert Wassom, as well as a number of high-ranking Pakistani officials, were flying aboard a Pakistani Air Force C-130 when the aircraft exploded over Eastern Pakistan, killing all on board.
To this point, efforts to determine responsibility for the crash have been unsuccessful. For certain, Zia had many enemies, including the Soviet-sponsored regime in Afghanistan, the Soviet Union itself, India, the ethnic minorities led by the Shiite Muslims (10 percent of Pakistan's population) and many people who felt wronged by Zia and his government.

On Zia's death the leader of the Senate formed a caretaker government which guided the country until the November 16 elections.

Just prior to the elections the Pakistani supreme court ruled that candidates could run as party nominees. After a campaign that was relatively free of violence, Benazir Bhutto, daughter of former Prime Minister Ali Bhutto, led the Pakistan People's Party to victory. The late Ali Bhutto had been overthrown in 1977 and later executed by Zia.

Bhutto's party captured 92 out of 207 seats. The Islamic Democratic Alliance finished a poor second with 54 seats. After some delay, the acting President declared the 35-year-old graduate of Radcliffe and Oxford University, to be prime minister and asked her to form Pakistan's first democratically elected government in a decade. Benazir Bhutto thus became the first woman ever to lead an Islamic nation.

Notwithstanding the removal of Soviet occupation forces from Afghanistan, Benazir Bhutto still has a full plate of problems. The most immediate of these include a horrendous national economic situation and a government that is virtually bankrupt. On the surface, the average seven percent economic growth over the last few years did not appear bad. However, inflation is now above 10 percent and recent floods have ruined 100,000 acres of prime farm land—a major catastrophe since 80 percent of the country's earnings are from agriculture.

Following Bhutto's 1988 election victory, the people danced in the streets of Lahore, Karachi and Rawalpindi. The new prime minister will need that kind of support and much more in 1989.

**Afghanistan**

Estimated Population: 15,942,000.

Government: Communist.

Head of Government: Prime Minister Mohammed Hassan Sharq

GDP: $3.92 billion.

Per Capita Income: $250.

Defense Expenditures: $286.56 million.

Armed Forces: Army—50,000 (mostly conscripts); Air Force—5,000; Paramilitary—207,000.

Total Regular Armed Forces: 55,000.

Finally, the long-pursued Soviet troop withdrawal from Afghanistan is completed. But, the devastating war has not ended and the future for Afghanistan remains extremely foreboding.

After nine years of war and 15-20,000 Soviet dead, Moscow declared in January that its aim was to leave Afghanistan before the end of 1988. Soviet Foreign Minister Eduard Shevardnadze stated that a way to achieve an acceptable transition government in Kabul could be worked out after withdrawal.

Finally, after six years of negotiations, Pakistan, faced with caring for over three million Afghan refugees, signed the agreements with Afghanistan that would have the Soviets out of Afghanistan by 15 February 1989. The U.S. and the USSR were made guarantors of the pact. The Mujahedeen rebels, still refusing to talk with the Soviet-installed Kabul government, did not participate in the agreements. A 50-member United Nations observer team was established to monitor the Soviet troop withdrawal and the non-interference aspects of the accords.

Since the Geneva agreement side-stepped any mention of a ceasefire, the war continued. Mujahedeen rebels flowed into many areas vacated by Soviet soldiers, leading to predictions of rapid collapse of the Afghan government. The Afghan army numbers about 55,000 with 10-12 divisions, border guards, and territorial units. The guerrillas are believed to be about 200,000 strong, well equipped and organized to fight a hit-and-run war. But, they lack the conventional fire-power to carry home the attack on large city strong-points and lately cooperation between the numerous rebel groups has been extremely spotty.

The Soviets seemed determined not to leave the country in chaos. Even Najibullah, the Afghan communist leader, appeared to be expendable if that was required to establish an acceptable coalition government. To that end, representatives of the rebel alliance and the Soviets met in Saudi Arabia in December. Although no results were announced, these talks were considered a big morale boost for the Mujahedeen.

Given a settlement to the government composition issue, complete withdrawal of Soviet troops and a ceasefire, much will remain to be done. Over 1.2 million Afghan people have died; there are about five million refugees (3.5 million in Pakistan, 1.5 million in Iran); and one-half of some 35,000 Afghan villages have been obliterated. Much of the economic infrastructure has been destroyed as have many Afghan social institutions. The United Nations has pledged a massive aid program with the Soviet Union being a major contributor. Even so, the anticipated rebel victory in this long and bloody holy war may indeed be a bittersweet one.
If there is one part of this shrinking world where peace remains extremely fragile and democracy is in a constant struggle for survival it is Central America. In each of the eight southernmost countries of the North American continent, 1988 was a difficult time. Very few nations among them were not plagued with unmanageable foreign indebtedness, externally supported insurgency, odious drug trafficking or a stagnating economy.

The general agenda for the year was established by the five Central American presidents who signed the Arias Peace Plan in August 1987. Sadly, though, the peace to which they committed themselves was not to be.

On-again, off-again talks between the Sandinista regime and the contra resistance in Nicaragua accomplished little. Although both sides agreed to continue the cease-fire, there was no movement toward promised democracy. Nor was there agreement concerning the restoration of human rights or the relaxation of government repression in that squalid nation.

A series of early 1988 votes in the U.S. House of Representatives effectively halted American aid to the contras, thus ending the Reagan policy of military pressure on the communist Sandinistas and forcing the resistance to seek accommodation with Managua.

In the past decade, democracy has had some stunning successes in Central America, but it has also been sorely challenged. A serious threat exists in a number of Latin nations in the form of externally supported insurgencies that count on failing economies to sweep them into power. Democratically-inclined leaders are often forced to seek solutions to their nation’s economic travails while simultaneously fighting to preserve the trappings of democracy. All too often they must fight these two battles while at the same time fending off the military wherein lies the real power in many Latin countries.
Mexico
Population: 85,409,000.
Government: Federal republic.
Head of Government: President Carlos Salinas de Gortari
GDP: $131.50 billion.
Per Capita Income: $1,860.
Defense Expenditures: $612.46 million.
Armed Forces: Army—105,500 (60,000 reserves); Navy—26,000 including naval air and Marines; Air Force—7,000; Paramilitary—120,000.
Reserves: 300,000 (all services).
Total Regular Armed Forces: 138,500.

Former Secretary of State Henry Kissinger recently remarked that North Americans have still not recognized that Mexico is emerging as a major player on both the regional and international stages. And he reminded Americans that U.S. and Mexican destinies are inescapably intertwined because more than 20 million inhabitants of the United States are of Mexican descent.

The United States can no longer take its rapidly-growing neighbor to the South for granted, particularly in light of the earth-shaking results of the July presidential and legislative elections. For the first time since the Institutional Revolutionary Party (PRI) came to power in 1929 its hand-picked candidate for President, Carlos Salinas de Gortari, received less than 70 percent of the announced vote. Running on a platform stressing pluralism and democracy and promising a clean election, Salinas won with 50.74 percent of the vote. He was among the first to acknowledge that the days of oligarchical, one-party rule in Mexico were over.

Although his opponents on both left (Cuauhtemoc Cardenas Solarzano) and right (Manuel Clouthier) cried fraud and attempted to claim victory, Mr. Salinas was able to hold the shaken elements of the PRI together and nail down his victory in the Electoral College.

The challenges now posed to President Salinas are daunting. But they should be neither new nor unexpected. As former President Miguel de la Madrid Hurtado's budget minister and protege, Salinas was fully aware of the state of Mexico's economy. During de la Madrid's administration there had been a 40 percent drop in living standards; the peso had sunk from 150 to 2,250 to the dollar; falling oil prices (from $16 to $9 per barrel) had cost $2 billion in lost revenue by October, and foreign debt servicing costs were six percent of Mexico's GDP.

As his party's presidential candidate, Salinas was also the sponsor of the "fair and clean" elections which de la Madrid later described as signaling greater equilibrium between the executive and legislative powers in an era when unchallenged Presidential power is coming to an end.

Now Salinas must not only appease his opposition, both within the PRI and without, but he must also reform the PRI itself and somehow secure public support for the continuation of the economic policies which he devised.

Hopefully, President Salinas will be able to count on enlightened support from the United States to resolve Mexico's long-term economic problems. Both Mexicans and Americans must hope that the cordial December pre-inauguration meeting between President Salinas and President Bush is a harbinger of good things to come.

Guatemala
Population: 8,607,000.
Government: Republic.
Head of Government: President Vinicio Cerezo Arevalo
GDP: $17.38 billion.
Per Capita Income: $930.
Defense Expenditures: $265.8 million.
Armed Forces: Army—40,000 (5,000 reserves); Navy—1,200 including 650 Marines (900 conscripts, some reserves); Air Force—850 (500 conscripts, 200 reserves); Paramilitary—736,000.
Total Regular Armed Forces: 42,050.

Three years after taking office as Guatemala's first democratically-elected civilian president in 35 years, President Vinicio Cerezo Arevalo's primary objective is to complete his five-year term in office. Although many of the high hopes at the start of the Cerezo administration have not been realized, it would appear that his chances of finishing his term are good. That is, so long as he continues to receive the support of Defense Minister Gen. Hector Gramajo, and so long as he continues to carry the pistol with which he insists he will defend himself in the event of an attempted coup.

It is clear that Cerezo realizes his power, like that of many other Latin leaders, is limited and highly dependent on the nation's strongest element—the Army. Cerezo has had some success, however, in moving against the entrenched interests responsible for most of Guatemala's economic difficulties.

United States aid increased from $15.7 million in 1984 to $198.6 million in 1987. Inflation is down from 35 percent to 10 percent and the economy expanded by two percent in 1987, the first growth in many years. Minimum wages have been raised, and income and property tax reforms are expected to increase government revenues by five to 13 percent.

However, these reforms, particularly when combined with the leftward movement of Cerezo's foreign policy, were not universally applauded. In 1988, he held reconciliation talks with the Marxist guerrillas, moved closer to Mexico and rescheduled Nicaragua's $211 million debt to Guatemala over 15 years.

Despite the Christian Democrats' sweeping victory in the April municipal elections (140 of 272 mayors to only 30 for the rightists), a combination of younger Army
officers and extreme rightist business leaders made an unsuccessful attempt to overthrow the Cerezo government on May 11. Gen. Gramajo and other senior commanders, who may have thought the coup was directed against them as much as Cerezo, moved promptly to suppress dissent and to punish military and civilian participants alike.

However, the coup attempt sparked widespread discussion of the virtues of democracy as opposed to military rule. While this appeared to indicate broad public opposition to the latter, it also reflected widespread criticism of Cerezo's administrative abilities. In any event, the aborted coup ended any thought of continued talks with the guerrillas and seems to have resulted in increased power for the military and an upsurge in human rights violations.

Like its neighbors throughout Central America and the Caribbean Basin, Guatemala awaits with great interest indications of the new Bush administration's policies for the region and whether or not the White House will be able to secure bipartisan Congressional support for same.

The future of Guatemala's effort to resolve its political, social and economic difficulties within a democratic framework depends significantly on the provision of stable, enlightened United States political and fiscal support based on a coherent, coordinated American long-term policy for the region.

Honduras
Population: 4,828,000.
Government: Democratic constitutional republic.
Head of State: President Jose Azcona Hoyo
GDP: $3.98 billion.
Per Capita Income: $740.
Defense Expenditures: $75.0 million.
Armed Forces: Army—15,400 (11,000 conscripts); Navy—1,200 including 600 Marines (900 conscripts); Air Force—2,200 (800 conscripts); Paramilitary—5,000 Public Security Forces.
Reserves—50,000 (all services).
Total Regular Armed Forces: 18,800 (12,700 conscripts).

Nowhere in Central America were the strains of coping with a deteriorating situation more evident than in Honduras, the United States' most faithful ally in the region. In 1988, the Arias Peace Plan foundered and President Ronald Reagan's Central American policy came apart.

Early in the year, unmistakable signs began to appear of corruption of elements of the Honduran military leadership by the Columbian Medelin drug cartel and by associates of Panamanian Gen. Manuel Noriega. Since the Honduran constitution bans extradition of its citizens, that country is well situated to act as a trans-ship-

ment point for Columbian cocaine destined for the United States. In April, however, Honduran special police seized Juan Ramon Matta Ballesteros and expelled him to the Dominican Republic where he was taken into custody by U.S. marshals. In 22 hours the drug king went from a billionaire's mansion in Tegucigalpa to a maximum security prison in Illinois, charged with drug trafficking and suspected of participating in the 1985 murder of a U.S. narcotics agent in Mexico.

Two days later 1,500 students rioted in Tegucigalpa, setting fire to parts of the U.S. Embassy and causing over $5 million in damage. Whether a reflection of pent-up anti-Americanism as some believe, or a planned action of "narco-Communism" as a Wall Street Journal editorial suggests, the rioting is clearly a manifestation of the threat posed by drug traffickers and their obscene piles of money. Such a threat is a danger not only to the U.S., but to many struggling democracies throughout the hemisphere.

In March the Sandinistas had attacked across the Nicaragua-Honduras border in an attempt to destroy contra bases and supply points prior to the start of cease-fire talks. Under Honduran air attack and in the face of the rapid deployment to Honduras of a four-battalion United States task force, the Nicaraguans withdrew without achieving that objective. The U.S. Army deployment was made in response to President Jose Azcona Hoyo's request for support from President Reagan.

Since then, with the cutoff in U.S. military aid and the cease-fire in Nicaragua, over 80 percent of the Nicaraguan resistance forces have withdrawn to Honduras where some 11,000 battle-tested fighters plus more than 22,000 refugees are encamped in and around Yamales.

In all, with the ill-fated Arias plan generally in limbo, the people of Honduras are left to struggle with the burden of some 250,000 Nicaraguan, Salvadoran and Guatemalan refugees in camps along its borders. President Reagan had assured President Azcona in September that the U.S. accepted responsibility for the contras. However, the Hondurans recognized that American policy would be in a state of suspension until after the American election and that the Reagan commitment would not be binding on his successor.

At year's end it was quite clear that the Arias Plan had failed to secure Sandinista compliance; but it had succeeded in disarming the contras and forcing them to withdraw to Honduras, leaving that country and its U.S. allies facing three daunting questions: How to prevent Sandinista export of its Marxist revolution? What to do with the contras and other refugees? What is the Bush administration going to do?

Honduras' future as a democracy allied with the United States and the other regional democratic nations will depend upon answers to those questions.
El Salvador
Population: 5,882,000.
Government: Republic.
Head of Government: President Jose Napoleon Duarte
GDP: $4.71 billion.
Per Capita Income: $820.
Defense Expenditures: $177.00 million.
Armed Forces: Army—39,000 (some conscripts); Navy—1,000; Air Force—2,000; Paramilitary—4,200 National Guard, 6,000 National Police, 2,400 Treasury Police; 12,000 Territorial Civil Defense Force.
Total Regular Armed Forces: 54,000 (including civil defense force).

One of President Ronald Reagan's first actions after taking office in 1981 was to terminate aid to the Sandinista government of Nicaragua because of its persistent support of the Marxist guerrillas in El Salvador. Subsequently, aid to El Salvador became one of the cornerstones of the Reagan policy intended to foster and support democratic governments throughout Central America.

Both efforts appeared to be achieving substantial success just two years ago. However, we now have to acknowledge that the Sandinista's triumph over the unfunded contras in Nicaragua and events in El Salvador have made a shambles of the Central American policy which had apparently been so effective.

Despite over $3 billion in U.S. economic and military aid, El Salvador, the smallest and most heavily populated country in Central America, was still the poorest. Its economy has been ravaged by guerrilla attacks on the nation's infrastructure and by severe drops in world market prices for its sugar, coffee and cotton crops. Although U.S. aid, which amounted to 55 percent of the annual budget, had stimulated six years of growth, per capita GNP is down 25 percent and food costs for a family of five are up 20 percent.

The magnitude of the landslide victory won by the right-wing Nationalist Republican Alliance (ARENA) party in the March National Assembly election was a surprise to all and left President Jose Napoleon Duarte's government in some disarray. Despite the fact that ARENA's platform was founded on hard work, patriotism, anti-Communism and protection of family and property, its victory was viewed with concern in Washington, particularly among those in Congress who opposed Reagan's Central American policy.

As the new year begins and the March presidential elections approach—which include for the first time candidates allied with the guerrillas—Duarte and the Christian Democrats (CD) appear to be making a comeback. A December poll gave the ARENA candidate 26.2 percent, the CD candidate 21.3 percent and the Marxist Democratic Convergence candidate six percent. Since a runoff is required if no candidate receives 50 percent of the vote, it is not inconceivable that the Marxist Democratic Convergence could hold the balance of power in that event. But the policy and actions of the new Bush administration and Congress could have a greater impact on determining the ultimate outcome of El Salvador's tortured search for peace.

Nicaragua
Population: 3,536,000.
Government: Republic under tight military control.
Head of Government: President Daniel Ortega
GDP: $6.55 billion.
Per Capita Income: $790.
Defense Expenditures: $436.09 million.
Armed Forces: Army—70,000 (20,000 conscripts, 120,500 reserves); Navy—4,000 (some conscripts, 2,500 reserves); Air Force—3,000; Paramilitary—2,000.
Total Regular Armed Forces: 77,000 (20,000 conscripts).

Once again a Marxist/Leninist totalitarian government has succeeded in achieving through duplicitous negotiation what it was unable to achieve on the battlefield. With the help of sustained Soviet military assistance, Nicaragua's Sandinista commandantes appear to have snatched victory from what might have been ultimate defeat.

Assisted by Costa Rican President Oscar Arias' peace plan, Nicaraguan President Daniel Ortega has succeeded in disarming the contra forces, which were increasingly threatening his regime. He has also managed to identify, arrest and imprison the civilian elements of the infrastructure which had supported them.

Denied military aid by Congress at a time when Soviet military aid to the Sandinistas continued at a $40 million per month rate, the contras were compelled to agree to a cease-fire that the Sandinistas have observed largely in the breach.

Although the Sandinistas agreed to release political prisoners and guarantee unrestricted freedom of expression, as contemplated in the Arias plan, they have not done so. Municipal elections in 1989, in which the government had pledged free participation, have been postponed until 1990.

Initial, tenuous moves toward democratization, apparently intended for foreign consumption, were quickly followed by a return to internal repression leading many observers to conclude that the Sandinistas genuinely fear civil opposition. The Permanent Commission on Human Rights concluded that there are now 8,000 "prisoners of conscience" in Sandinista jails.

Despite the end of serious fighting, the economy continued to disintegrate and Nicaraguans are having to endure an accelerating decay in their standard of living. Daniel Ortega would like to blame his country's economic woes on the contras or on the $878 million in
damage which the government reports was inflicted by Hurricane Joan. But, the evidence indicates that it is the Sandinistas themselves who are primarily responsible for the economic nightmare.

The rate of inflation skyrocketed to a mind-boggling 21,742 percent during 1988. Economists forecast that it may reach 100,000 percent in 1989. Austerity measures reduced average buying power by 84 percent, contributing to increased emigration toward the United States (65 buses per day to Guatemala, the first stop-over on the road north).

Although there have been no indications as yet of operational use of Nicaraguan bases by Soviet forces, the physical facilities are present, as are 50-75 Soviet, 1,000-1,500 Cuban and some 300 other “advisors” from elsewhere in the Eastern bloc. In short, exactly the thing which Ronald Reagan fought to prevent—the consolidation of a Soviet-Cuban bridgehead on the mainland of the Western Hemisphere.

The challenge for the new U.S. president, with such support as he can secure from Congress and from his Central and South American neighbors, is to limit the damage. It will be neither a short, nor easy task.

Costa Rica
Population: 2,751,000.
Government: Democratic republic.
Head of Government: President Oscar Arias Sanchez
GDP: $4.56 billion.
Per Capita Income: $1,480.
Defense Expenditures: $30.9 million.
Armed Forces: Paramilitary—9,500 (6,000 civil guard, 3,500 rural guard).
Total Security Forces: 9,500.

After 18 months of what amounts to zero progress, the 1987 Nobel Peace Prize awarded Costa Rica’s President Oscar Arias Sanchez for his plan to bring peace to Central America seems to be facing the question of whether or not it was awarded prematurely.

There is little question, however, that the Costa Rican people are concerned that Arias’ preoccupation with his international peacemaker image has adversely affected the manner in which he has dealt with the domestic concerns of the country. Costa Rica has the highest living standard in Central America and, even at 15 percent, one of the lower rates of inflation. Even so, the people recognize that the primary effect of the Arias peace plan has been to kill aid to the Nicaraguan resistance without extracting promised concessions from Daniel Ortega and the Sandinistas.

With the 1990 Presidential election shaping up as a referendum on his policies, Arias is perhaps as anxious as any Latin American leader to learn what policy President Bush intends to follow in Central America. Arias will undoubtedly seek to secure United States support for his peace initiative. The extent to which such support will be forthcoming, however, is unclear.

Meanwhile, Arias must deal with his country’s declining economic performance in the face of foreign debt in excess of $4 billion. Around San Jose there is increasing criticism of high taxes and of the growth in public expenditures, due in large part to a top-heavy government payroll. Costa Ricans are deeply concerned about more than 150,000 Nicaraguan refugees who have fled to Costa Rica since 1979. To control the influx of refugees, Costa Rica has begun joint military border patrols with the Sandinistas.

Most of the questions facing Arias at the end of 1988 are the same as those which confronted him as the year began: how can he convince the governments of Central America and outside powers that his peace plan is achievable in the real world; and, if so, can he secure from them commitments that will cause the Sandinistas to accept what no Marxist government has ever accepted: a transition to a pluralistic democratically-elected government. The answers to both probably lie more in Washington, in the capitals of Western Europe and in Havana and Moscow than in San Jose.

Panama
Population: 2,282,000.
Government: Centralized republic.
Head of Government: Gen. Manuel Antonio Noriega
GDP: $5.28 billion.
Per Capita Income: $2,330.
Defense Expenditures: $104.60 million.
Armed Forces: Army—6,000 (National Guard); Navy—900; Air Force—400; Paramilitary—12,300.
Total Regular Armed Forces: 7,300.

As the clock winds down on compliance with the sequential provisions of the treaty for the transfer of ownership of the Panama Canal, the failure of the Reagan Administration foreign policy toward Panama may prove to be most threatening to U.S. national interests and security.

The poorly conceived and ineffectively executed efforts to oust Panamanian dictator, Gen. Manuel Antonio Noriega, have severely damaged the Panamanian economy and particularly the middle class who are the most sympathetic to U.S. efforts to “restore” democracy where it never really existed.

In Panama, U.S. policy has inflicted severe hardship and economic damage on the Panamanian people; lost allied and other Latin American support; and left Noriega in a position of enhanced power supported primarily by avowed U.S. enemies—Cuba, Nicaragua, Libya, and the M19 guerrillas and drugrunners from neighboring Colombia.

In any event, year end finds Panama with its economy gravely wounded; unemployment more than doubled to 20-30 percent; construction off 95 percent; production of durable goods dropped 90 percent; industrial
production down 60 percent; and agricultural output down some 30 percent.

Year end also finds Noriega much better prepared to resist any U.S. military intervention. Up to 250 tons of arms and ammunition have been flown in from Cuba and stored in caches in various parts of the country. Cubans and Nicaraguans, some of whom may have taken part in probes of U.S. troop and logistic installations, have been reported in numbers as high as 1,800. Some 10,000 civilian volunteers have been organized into "Divine Brigades" and are trained in guerrilla warfare three afternoons a week—reportedly by M19 guerrillas from Colombia.

As a result, 1989, the year in which the Treaty calls for the U.S. to turn over to a Panamanian the number one job as Canal Administrator, is going to pose an early problem of major importance for the new Bush administration. The Treaty provides that the U.S. President must approve the choice, and Dennis McAuliffe, the current U.S. Administrator, has made it clear that anyone bearing the Noriega imprint would be unacceptable. Yet Noriega is, and apparently will continue to be, firmly ensconced in power.

Cuba

Population: 10,334,000.
Government: Communist dictatorship.
Head of Government: President Fidel Castro
NMP: $19.20 billion.
Per Capita Income: $1,757.
Defense Expenditures: $1.66 billion.
Armed Forces: Army—145,000 including 15,000 Ready Reserve (60,000 conscripts, 110,000 reserves); Navy—13,500 (8,500 conscripts, 8,000 reserves, 550 naval infantry); Air Force—22,000 (11,000 conscripts, 12,000 reserves); Paramilitary—1,469,000.
Forces Abroad: 58,400 (4,000 Latin America, 53,900 Africa, 500 Mideast).
Total Regular Armed Forces: 180,500 (79,500 conscripts).

If recent U.S. policy in Central America and the Caribbean can be characterized as inconsistent, the same can certainly not be said of Fidel Castro, who this year marked the 30th anniversary of his seizure of power in Havana. The third world's leading Marxist/Leninist is not about to be enticed by the calls for glasnost and perestroika emanating from the Soviet Union. Instead, he is even more firmly committed than ever to the path he calls rectification—a rigid adherence to orthodox Marxist/Leninist ideology and central planning.

In spite of Castro's aversion to Gorbachev's reforms, economic aid from Moscow continues at the $4.5 billion per year level (one-fourth of the Cuban GNP). The USSR buys 5.5 million tons of sugar annually at three to four times the world price and provides enough oil to Cuba to sell on the world market to represent Havana's second most important source of income. Similarly Soviet shipments of modern military equipment to Cuba continue.

In return, Cuba continues to function as the USSR's principal surrogate in the third world. As negotiations for the withdrawal of foreign forces from Angola laboriously continued, Cuban forces deployed in that country increased from an estimated 40,000 in January 1988 to more than 50,000 by September.

Cuban support for the Sandinista government in Nicaragua and the leftist guerrillas in El Salvador continues, and there are increasing indications of a Cuban drug connection with Panamanian dictator Noriega and the M19 guerrillas in Colombia. Cuban troops are also suspected of involvement in probing incidents around U.S. facilities in the vicinity of the Panama Canal. Obviously, Castro intends for his armed forces to continue to have global influence.

Not so the economy, which continues to deteriorate, shrinking 3.5 percent in 1987 as investment declined 20 percent. Foreign debt rose $672 million to $5.7 billion, and some $2,000 per capita—twice that of Brazil. Tourists, whom many economists see as the answer to Cuba's urgent need for foreign exchange, stayed away in droves. Only 200,000 of 8,000,000 Caribbean tourists visited Cuba.

As a new administration in Washington considers its policies toward its hostile neighbor only 90 miles from Key West, it finds Fidel Castro firmly in control of a nation under arms, with a failed economy, whose people are probably not as well off as when he came to power thirty years ago.

Haiti

Population: 5,735,000.
Government: Military.
Head of Government: Lt. Gen. Prosper Avril
GDP: $1.95 billion.
Per Capita Income: $330.
Defense Expenditures: $30.54 million.
Armed Forces: Army—7,000; Navy—300 Coast Guard; Air Force—300.
Total Regular Armed Forces: 7,600.

Undoubtedly the poorest nation in the western hemisphere, with a population 80 percent illiterate and 50 percent unemployed, Haiti has struggled through yet another year marked by incessant violence, bloodshed, political upheaval and economic chaos.

As expected, the January elections were largely ignored by the population and were thought by many to have been rigged. Canada promptly rejected the results and Washington pronounced the voting neither free, fair nor open.

Socialist Leslie Manigat, Provisional Governor Gen. Henri Namphy's handpicked candidate, was reported to have received just over 50 percent of the votes and was
inaugurated as President in February. Manigat promptly called for a program of "peace, unity, work, liberty and justice." He appointed a cabinet that was generally viewed as honest and competent. Initial reactions were favorable and by May, France ($2.4 million) and Canada ($10.5 million) resumed financial aid that had been suspended in the wake of the November 1987 election massacres.

Manigat's attacks on corruption and on the flourishing drug trade, however, soon led to conflict with Gen. Namphy and the Army. Manigat fired Namphy, but a bloodless Army coup in mid-June deposed Manigat and restored Namphy to power.

Under Namphy's dictatorial rule the situation deteriorated rapidly, culminating in a bloody assault by Tonton Macoute thugs on a leftist Padre's church on 11 September which led to still another coup. This one, however, was led by junior and noncommissioned officers. Military garrisons country-wide revolted and 26 senior military commanders were ousted. With Sgt. Joseph Heubreux as their representative and spokesman, the mutineers chose Lt. Gen. Prosper Avril, a survivor of both the Duvalier and Namphy regimes, to restore peace and order.

Avril's initial moves were surprising and generated favorable international reaction. He appointed a mostly civilian cabinet and met with opposition leader Sylvio Claude, whose 10 demands included elections within six months, disarmament of paramilitary civilians, and prosecution of drug runners. But Avril's primary efforts were to create conditions for resumption of American aid.

After prolonged deliberation, Washington released $25 million in withheld aid, promising to release an additional $5 million later.

Despite continued unrest Haiti closes the year hopeful that the Avril government will be more successful than its predecessors in fostering the growth of democratic processes and institutions in a nation which has had only one fair election (1930) since gaining independence in 1802.

SOUTH AMERICA—DEBT AND DRUGS TAKE THEIR TOLL

In the past decade there has been a major shift toward the institution of democracy in much of South America. In 1988 the people of Chile voted overwhelmingly in favor of the reinstitution of pluralistic government. That leaves Paraguay as the sole remaining dictatorship on the continent. The problems that continue to plague the continent and greatly affect the stability of many of these newly-formed democracies are two-fold: 1) economic stagnation and turbulence caused by internal mismanagement and the debt crisis and 2) the ever increasing power of the drug cartels and their virtual acceptance by the fabric of society.

The worsening of the present Latin American debt crisis could touch off a wave of political extremism and populism that could adversely affect the continent's democracies. Economic hardship has been caused in part by the flight of capital needed by most countries to keep current with interest payments on their foreign debts. Another factor causing economic turbulence is the inability of many governments to balance their books which in turn causes run-away inflation. Brazil and Argentina, the continents' two largest debtors, are prime examples of this trend.

The second major problem, the vastly increased drug trade, has extended beyond the traditional centers of Peru, Bolivia and Colombia to infect other nations such as Brazil and Paraguay. Ecuador has been the only nation to effectively deal with the drug menace, while Bolivia has legislated new anti-drug efforts that seem promising.

Colombia is an excellent example of the real danger presented by the drug traffic. By ignoring the problem for years—in the belief that drug use was strictly a United States problem—Colombia has allowed the drug cartels to gain power that rivals that of the government. This has been accomplished through intimidation, bribery and violence. The unintended consequence for the government has been a steep rise in drug addiction per capita that equals or exceeds that in the United States.

The year ahead will be crucial in determining the extended future of democracy on the South American continent. The problems of drugs and the economy go hand in hand. If the nations on the continent do not have healthy economies they will have neither the resources nor the impetus to attempt to eradicate the burgeoning drug trade.

Colombia
Population: 30,253,000.
Government: Republic.
Head of Government: President Virgilio Barco Vargas.
GDP: $36.19 billion.
Per Capita Income: $1,230.
Armed Forces: Army—69,000 (25,800 conscripts, 100,000 reserves); Navy—10,600 including 5,000 Marines (500 conscripts, 15,000 reserves); Air Force—6,700 (1,900 conscripts, 1,900 reserves); Paramilitary—94,000.
Forces Abroad: 500.
Total Regular Armed Forces: 86,300 (28,200 conscripts).

The people of Colombia have just survived a year mired in violence and plagued by crime. It was a year reminiscent of the period known as "la violencia"—the decade beginning in 1948 when more than 200,000 peo-
people were killed as a result of political violence. This one commenced with drug cartel henchmen brutally assassinating Attorney General Carlos Mauro Hoyos Jimenez, who advocated reinstatement of an extradition treaty with the United States.

Even as the violence reaches crisis proportions the administration of President Virgilio Barco Vargas continues efforts toward reformation of Colombian democracy. Barco seeks to make the system more participatory by allowing the people to directly elect municipal and provincial leaders. These reforms, coupled with a strong economy, may provide Colombians with a new impetus to pursue the war on drugs.

The drug trade continued to burgeon during 1988. Narco-dollar profits are estimated to be more than $1.5 billion, rivaling coffee as the country's largest foreign exchange earner. Even with their profits on the increase and fear of arrest evaporating all is not well in the drug underworld. For much of the year the Cali and Medellin cartels have been feuding over lucrative New York City drug distribution rights. That combination is estimated to supply 80 percent of the cocaine consumed in the United States.

It has been estimated that cartel members have spent nearly $5 billion, over the last two years, in acquiring approximately 2.5 million acres of land. This may account for the ten-fold increase in coca cultivation since 1981—to today's total of 60,000 acres. This makes Colombia the world's third largest producer of cocaine behind Peru and Bolivia.

The body count attributed to Colombia's leftist insurgency was expected to exceed 3,000 for 1988, with half of these being civilians. Of the four major communist guerrilla groups, only the M19 rebels have sought serious negotiations with the Barco government. Their efforts culminated in a peace accord, signed on 12 January 1989, in which the rebels pledged to maintain the truce and swore their commitment to reconciliation.

Given the on-going insurgencies and the brutality of the drug lords, Colombia has become the murder capital of the world with a rate of 52.8 killed per 100,000 population. If this trend is ever to be reversed, the Barco government must quell, through negotiations or military means, the several insurgencies in Colombia. The government must also find the courage to reinstate the extradition treaty with the United States since that has proved to be the only effective weapon in its war against the drug trade.

**Venezuela**

Population: 19,428,000.
Government: Federal republic.
Head of Government: President Carlos Andres Perez
GDP: $49.96 billion.
Per Capita Income: $2,920.
Armed Forces: Army—34,000 (some conscripts);
Navy—10,000 includes 2,000 naval air, 5,200 Marines and 750 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, one of Latin America's largest yet most responsible debtors, stunned the international financial community on 31 December 1988 when then-President Jaime Lusinchi announced the suspension of principle payments on the majority of the country's $30.3 billion foreign debt. Though experiencing severe economic woes, Venezuelans, on 4 December 1988, went peacefully to the polls to participate in the seventh consecutive free election since democracy was reinstated 30 years ago.

Venezuela's economic tribulations can be traced to the fact that the economy is no longer buoyed by the massive influx of petrodollars that the oil boom of the 1970's brought. The erosion of oil prices has resulted in a $1.8 billion drop in hydrocarbon revenues from the previous year. Venezuelans also saw their export earnings drop to $9 billion, down 15 percent from the previous year, while imports dropped only five percent to $8.4 billion. The resulting $400 million trade surplus is too small to seriously impact on the nation's $3.5 billion balance of payments deficit.

Over the past few years Lusinchi has sought to wean Venezuela away from total dependence on oil as the source of export earnings. Diversification in industries for export has helped him reduce oil exports as a percentage of total export earnings. In the 1970's hydrocarbon revenues accounted for over 90 percent of Venezuela's export earnings, whereas today that has declined to 80 percent.

While the economy expanded a mere 1.2 percent for the year—compared to three percent in 1987—restrictive monetary policies lowered last year's record high Consumer Price Index of 40 percent to 24 percent this year.

Even with all their economic worries the people of Venezuela have once again shown their commitment to democracy. On December 4th they elected as President, Carlos Andres Perez of Lusinchi's Accion Democratica party (AD). He had previously served as president during the petrodollar bonanza years of 1974-1979 and is perceived by the people as being extremely popular and politically astute. During the campaign Perez realized a need for economic austerity measures as well as political reform. Though Venezuelans have the highest per capita income in Latin America, their real purchasing power
has dropped between 30 and 50 percent over the last five years.

The political reforms instituted by Lusinchi are expected to be continued by Perez. The reforms were brought on by citizen discontent over the lack of participation allowed in choosing local representatives. Next year Venezuelans will be permitted for the first time to elect mayors and governors.

Brazil

Population: 146,153,000.
Government: Federal republic.
Head of Government: President Jose Sarney
GDP: $313.03 billion.
Per Capita Income: $1,810.
Defense Expenditures: $2.56 billion.
Armed Forces: Army—218,000 (143,000 conscripts); Navy—50,000 (2,200 conscripts); Air Force—50,700; Paramilitary—243,000.
Reserves: 1,115,000 trained first line, 225,000 second line.
Total Regular Armed Forces: 319,200 (145,200 conscripts).

Brazil's fledgling democracy has endured another year of economic turmoil. Too often, in the three-year life of his civilian government, President Jose Sarney has sought flash-in-the-pan answers to long-standing economic problems. Near-chaotic economic conditions are seen by many as a primary threat to the continuance of democracy in Brazil.

This Amazonian nation is now the third world's largest debtor, owing international lending institutions in excess of $115 billion. Thus, Brazil began the year by introducing a moratorium on all debt repayment. The urgent need for capital soon brought Brazil back to the bargaining table and prompted bankers to reschedule $62 billion in foreign debt and extend new loans of $6.6 billion. That helped keep Brazil current on its annual interest payments which totaled $10.8 billion for 1988 alone.

Brazil's environment, like its economy, became major news in the past year. The wholesale destruction of the Amazon rain forest caused international concern, especially when, on 23 December, Francisco Mendes—an environmentalist and peasant organizer—was brutally murdered outside his home for opposing the deforestation of his homeland. Partly because of that, the World Bank and the Inter-American Development Bank suspended all soft loans for new roads and hydroelectric dams pending further observation of Brazil's treatment of the environment.

On the political front, the government drafted a new constitution, the eighth since independence from Portugal. The latest document was marked by special interest, party posturing and military threats. It did, however, give President Sarney the five-year term for which he lobbied long and hard.

The Brazilian people went to the polls in November to participate in municipal elections and the outcome showed their extreme dissatisfaction with the present administration.

In an uncharacteristic move, President Sarney announced an austerity plan that could, with proper implementation, help him come to grips with the economy. His plan calls for a 17 percent devaluation of the currency and a wage-price freeze—all moves which will undoubtedly prove unpopular with Brazilians.

Yet, if Brazil's economy is not soon stabilized, this newly formed democracy could be severely threatened. Brazil must concentrate and act on the problems at hand otherwise the direct elections scheduled for November 1989, the first since 1960, may have to be indefinitely postponed.

Ecuador

Population: 11,008,000.
Government: Republic.
Head of Government: President Rodrigo Borja Cevallos
GDP: $11.13 billion.
Per Capita Income: $1,160.
Defense Expenditures: $188.0 million.
Armed Forces: Army—33,000; Navy—4,000 including 1,000 Marines; Air Force—3,000; Paramilitary—200. Reserves—system in force, numbers unknown.
Total Regular Armed Forces: 40,000.

Latin American democracies have continued to survive and gain legitimation through the recession-plagued decade of the 1980's. A stellar example of this trend is Ecuador, where, in the midst of a severe economic crisis, the people went peacefully to the polls to participate in the third successive presidential election since 1979. The past year's economic turbulence has not battered this small Andean nation's thirst for the continuance of the democratic process.

When no clear victor emerged from among the initial 10 candidates, a run-off election between the two top vote getters was scheduled for May. The initial polls had the voters rejecting Sixto Duran of the governing Social Christian party. The candidates in the May 8 run-off were Abdala Bucaram, a populist, of the left-leaning Roldosista party versus Rodrigo Borja of the Democratic Left Party, with the latter emerging victorious.

Professing a strong commitment to the reversal of the free market economic policies implemented by his predecessor, President Borja has emphasized greater state control of Ecuador's battered economy. The new head of state also promised to pursue a non-aligned foreign policy, yet he reserved his warmest reception at the August inauguration ceremony for Daniel Ortega of Nicaragua and Fidel Castro of Cuba. As his first of-
ficial act, President Borja renewed diplomatic relations with Nicaragua—previously severed in 1985.

The economic recession facing the new president can be traced to the global oil glut prevalent throughout much of the 1980's. In 1984 Ecuador could command $27 per barrel for its crude, while in today's depressed market $13 per barrel is the best it can muster. Oil accounts for 60 percent of the nation's hard currency earnings which totaled approximately $1.2 billion for 1988. Last year's earthquakes, which stopped oil production for five months, were in part responsible for the suspension of interest payments on a foreign debt of $9.2 billion.

Outgoing President Febres Cordero, a staunch Reagan administration ally, left office with two major accomplishments: 1) he succeeded in the eradication of the majority of the nation's coca crop and cocaine production and 2) he was successful in the virtual elimination of the fledgling communist Alfaro Vive insurgency movement.

President Borja's proposed statist economic policies, long practiced with little success in other Latin nations, could create a hyperinflationary economic scenario as is being experienced by neighbor Peru. If democracy is to continue in Ecuador, caution and austerity will need to be the hallmarks of President Borja's administration.

Peru

Population: 21,363,000.
Government: Constitutional republic.
Head of Government: President Alan Garcia Perez
GDP: $21.11 billion.
Per Capita Income: $1,090.
Defense Expenditures: $702.61 million.
Armed Forces: Army—80,000 (55,000 conscripts, 188,000 reserves); Navy—23,000 (12,000 conscripts); Air Force—15,000 (7,000 conscripts); Paramilitary—71,600.
Total Regular Armed Forces: 118,000 (74,000 conscripts).

Peru's eight-year-old fledgling democracy can be most aptly characterized as an anarchy masked to resemble democracy. With a multitude of troubles bringing near ruin upon his nation, it is a wonder that 39-year-old President Alan Garcia Perez has managed to remain in power. Once seen as the boy wonder of Latin American politics, he is now considered an embarrassment by many in his party and a disaster by most of his countrymen. Garcia swept into office three years ago with a 96 percent popularity rating, but that has now fallen precipitously to around 16 percent.

Over the past two years the state of the economy has rapidly deteriorated, due in large part to the helter-skelter economic policies of President Garcia. Within Peru, the tenuous economic state is considered the greatest threat to the continuance of democracy.

Another cancer threatening the fragile stability of this nation is a terrorist war being waged by the ultra-extreme Maoist Sendero Luminoso (Shining Path) and to a lesser extent by the pro-Cuban Tupac Amaru Revolutionary Movement. Finally, the brisk and ever-increasing cocaine trade still plagues the government, but it is not considered the worst of Peru's worries.

Estimates for the rise in the Consumer Price Index for 1988 range from an optimistic low of 900 percent to a more realistic hyperinflationary level of 2000 percent. Peru is presently in arrears on almost half of its $16.4 billion foreign debt. Current central bank disposable reserves have dipped below $150 million. State finances for the year registered in the red with an estimated budget deficit of $2 billion. At the beginning of his term President Garcia limited debt payment to 10 percent of annual export earnings. Today Peru is unable to make even such token payments.

In the past year there were two devaluations in Peru's currency as well as large increases in the price of foodstuffs, gasoline and utilities. Peru's mining industry, which usually accounts for half of all official foreign exchange earnings, was virtually shut down by a two-month worker's strike at the end of the year.

The disastrous economic state is the cause for discontent among all socio-economic strata of Peruvian society and has given rise to enormous growth in the parallel or underground economy. Such turmoil was also accompanied by the migration of Shining Path guerilla activities into the cities. Attacks on urban targets increased with utilities and government centers becoming major targets in the eight-year war which has now claimed more than 10,000 lives.

Throughout 1988 Peru has teetered on the brink of anarchy. Businessmen, civilian leaders and even government officials have called for Garcia's resignation. The armed forces remain in the barracks, concentrating solely on the insurgency movement. The guerrillas have stepped up operations allowing the drug lords to ply their trade with virtual impunity. Peru, now more than ever, needs the guidance of a courageous and insightful leader who is willing to make the tough choices needed to resurrect a dying economy and to salvage a rapidly deteriorating democracy.

Bolivia

Population: 6,892,000.
Government: Republic.
Head of Government: President Victor Paz Estenssoro
GDP: $5.97 billion.
Per Capita Income: $600.
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—21,000.
Total Regular Armed Forces: 27,600 (16,800 conscripts).
In little more than three years President Victor Paz Estenssoro has made Bolivia the economic masterpiece of South America. Now he seeks to channel his courageous and innovative energies towards the eradication of the country's lucrative drug trade. The government's economic austerity measures are bearing fruit and may provide the needed incentive to wean Bolivians away from drug production—their second largest foreign currency earner.

In the past three years government austerity measures reduced inflation from over 20,000 percent to the present annual rate of 11 percent. For the second straight year the economy expanded by approximately two percent. Shutting down certain inefficient state run enterprises helped to decrease an over-sized and ineffective bureaucracy, yet has consequently spawned a rise in the unemployment rate to 20 percent.

Experiencing difficulties in servicing the $4.2 billion foreign debt, the Paz government is seeking creative solutions to this persistent problem. The government retired some of its debt by exchanging it, at heavily discounted rates, for local-currency investments.

The nation's drug kingpins reacted violently to President Paz' new anti-drug efforts. In August, U.S. Secretary of State George Shultz, visiting Bolivia, was the target of an assassination attempt when a remote-controlled bomb was detonated near his motorcade. No one was reported injured in the attack.

Though coca leaf production for 1988 exceeded that of 1987, President Paz implemented new policies to curb cultivation and production. In July the Bolivian Congress approved a law restricting coca cultivation. On the same day the law was enacted, the Bolivian government, with U.S. assistance, arrested Roberto Suarez—Bolivia's most prominent drug baron. He is currently serving a 12-year jail sentence.

Now that he has brought stability to the economy, President Paz looks to dramatic efforts to restrict drug cultivation. The Reagan administration openly applauded Bolivian efforts as the first concrete move toward international cooperation in the war against drugs. Bolivian success with the economy and the war on drugs should be an example to the rest of South America concerning the rewards for good management and responsible policies, implemented in the face of adversity.

Paraguay

Population: 3,695,000.

Government: Republic.

Head of Government: President Gen. Andres Rodriguez

GDP: $4.20 billion.

Per Capita Income: $1,000.

Defense Budget: $70.50 million.

Armed Forces: Army—12,500 (8,600 conscripts, 30,500 reserves; Navy—2,500 including 500 Marines (1,200 conscripts, 2,200 reserves); Air Force—1,000 (700 conscripts, 3,600 reserves); Paramilitary 7,500.

Total Regular Armed Forces: 16,000 (9,800 conscripts).

On February 3, 1989, Paraguay's strong-man dictator, Gen. Alfredo Stroessner, ceased to be the Western Hemisphere's longest lasting leader and the world's second longest ruling dictator—behind North Korea's Kim Il Sung. On that date, Gen. Andres Rodriguez, for years Stroessner's second in command, was sworn in as president after ousting the 75-year-old dictator in a coup that left as many as 300 soldiers and civilians dead. For 34 years, Paraguayans have had to contend with fraudulent and meaningless elections, bear witness to the rapid growth of illicit drug trading and see their daily lives dominated by Stroessner's institutionalized corruption.

Elections held in Paraguay this past February were branded as blatantly fraudulent by the Catholic Church, by foreign observers and by the Committee for Free Elections—a mixture of opposition political parties, labor and student groups. The election outcome had Stroessner winning over two token opponents for an eighth consecutive presidential term.

The Committee for Free Elections organized numerous rallies and demonstrations prior to the elections, calling on the populace to boycott the vote. Many of those participating in the demonstrations were subsequently arrested. A bitter split in Stroessner's Colorado party and the return of exiled opposition leader Domingo Laino gave a renewed impetus to the Committee.

By most estimates, 60 percent of all commerce in Paraguay is in illicit goods. Ten percent of the Brazilian coffee crop, worth $150 million, is believed to illegally end up in Paraguay where it is then exported for profit. A recent increase in local drug traffic has accelerated the growth of a parallel or underground economy. Paraguay cultivates 7200 acres of marijuana which in turn produces 3000 metric tons of the crop yearly. Cocaine traffic through Paraguay is estimated to be in excess of one metric ton annually. International narcotic police report having evidence that officials in Stroessner's Colorado party as well as some in the government are heavily involved in drug traffic.

Minutes after Stroessner was whisked off to Brazil (and beyond?), the new President announced that elections would be called within three months. There are a number of pretenders to the presidency waiting in the
wings. The immediate question is just how much of his new-found power will this general be willing to relinquish?

Argentina
Population: 32,379,000.
Government: Republic.
Head of Government: President Raul Alfonsin
GDP: $81.44 billion.
Per Capita Income: $2,350.
Defense Budget: $891.86 million.
Armed Forces: Army—55,000 (30,000 conscripts, 250,000 reserves, 200,000 National Guard, 50,000 Territorial Guard); Navy—25,000 (5,000 conscripts, 77,000 reserves); Air Force—15,000 (5,000 conscripts, 50,000 reserves); Paramilitary—28,000.
Total Regular Armed Forces: 95,000 (40,000 conscripts).

Argentina's fragile democracy has once again survived a crisis year, precariously teetering on the brink of military takeover and economic collapse. President Raul Alfonsin has persisted in his attempts to reinstitutionalize democracy after a 60-year absence. Should Alfonsin complete his six-year term—which expires in December—he would be the first Argentinian president since 1928 to do so.

Despite their many problems, the people of Argentina seem to be looking forward to the May presidential elections, pitting Eduardo Angeloz of Alfonsin's Radical Civic Union against Carlos Saul Menem, the passionately nationalist winner of the Peronist Party's July primary.

The state of the economy will be the principal theme of the election—inflation, debt servicing, unemployment and lack of economic growth will be the central issues. Angeloz seeks to strengthen ties with Western democracies in order to revitalize the economy, whereas Menem espouses extreme nationalism much reminiscent of the Juan and Eva Peron era.

A major stumbling block to the continuance of democracy in Argentina could be borne of military disaffection. This year alone there were two mutinies which rocked the foundations of this fledgling democracy. In January, ex-Lt. Col. Aldo Rico, joined by approximately 100 members of the Army, sought an end to the ongoing prosecution of officers for atrocities committed during the "dirty war" of the 1970's. This uprising ended when troops loyal to the government fired on the rebels, marking the first instance in 25 years that members of the armed forces exchanged fire among themselves.

The second ill-fated mutiny occurred during the beginning of December when President Alfonsin was in the United States visiting President-elect Bush and the United Nations. By some reports more than 800 troops participated in the mutiny led by Col. Mohamed Ali Seineldin, an earlier protege of Rico.

Though five years old, Argentina's democracy is still very fragile. The military continues to operate in ways independently of the government. The economy, through new austerity measures, has begun to show signs of hope. If the Argentine democracy is to survive, the military must adopt a professional demeanor and cede control of the country's political institutions to the politicians.

Chile
Population: 12,733,000.
Government: Republic.
Head of Government: President Augusto Pinochet Ugarte
GDP: $16.97 billion.
Per Capita Income: $1,320.
Defense Expenditures: $790.0 million.
Armed Forces: Army—57,000 (30,000 conscripts); Navy—29,000 (3,000 conscripts); Air Force—15,000; Paramilitary—27,000; Reserves: 100,000 (all services).
Total Regular Armed Forces: 101,000 (33,000 conscripts).

On 5 October 1988 the people of Chile voted resoundingly in favor of the restoration of democracy. Long a tradition in this coastal Andean nation, the democratic system was replaced by a military junta in a bloody right-wing coup in 1973. At that time, Gen. Augusto Pinochet Ugarte deposed President Salvadore Allende Gossens. During Pinochet's 15 years in power an economic miracle has occurred, yet it was unfortunately accompanied by flagrant and abhorrent human rights abuses. The long awaited return to a more open society raises hopes that economic prosperity will continue but the era of fascist-like state control and repression will pass.

The constitutionally-mandated plebiscite gave Chicans the right to decide whether or not they wanted another eight years of Pinochet. The voters flocked to the polls to cast ballots in an election devoid of fraud and without major incident. Of some seven million voters, 54 percent voted against another term for Pinochet while only 43 percent voted to retain him as leader.

Initially surprised by the results of the plebiscite, Pinochet now seems somewhat more amenable to the restoration of a pluralistic system in Chile. As a result of the October vote, a multi-candidate presidential election, as well as the election of a bi-cameral legislature, is scheduled for the latter half of 1989. Pinochet's term in office will expire in March 1990, when he is expected to revert back to the position of Army Chief of Staff. It is further anticipated that Pinochet, along with the other armed forces chiefs, will sit on a national security council which will have ultimate veto power over laws passed by the legislature.
In a surprise move which may shed light on the junta's commitment to democracy, the 72-year-old dictator ended the enforced exile of about 300 relatives and associates of former President Allende. In another move to facilitate the transition to democracy, Gen. Pinochet, for the first time since the 1973 coup, replaced a military regional governor with a civilian. This action took place in December and was immediately followed by the naming of 26 civilians to provincial governorships previously held by military officers.

The good health of the Chilean economy, achieved under the Pinochet regime, should be a solid base for the growth of democracy. Chile is one of only a handful of Latin American countries to achieve sustained economic growth. By South American standards, inflation has been relatively low while economic growth has averaged around six percent for the past three years.

Chile's return to the path of freedom has not been without great sacrifice, yet Pinochet's economic miracle should serve well to ease the transition to democracy. One possible road-block rests in the hands of the opposition coalition. Should the coalition become overly-zealous in pressing the junta for reforms, the armed forces might again come out of the barracks and exert its own will on the people of Chile.

**CONCLUSION**

These, then, are some of the changes and the challenges we faced in the real world of 1988. Not entirely a world cast in a mold of our choosing but one in which we must establish a firm course. In some ways, 1988 was a year of some promise as several chronic international conflicts seemed to be headed toward peaceful conclusion.

In the Persian Gulf, a United Nations-mediated cease-fire halted the eight-year war between Iran and Iraq. In Afghanistan, the Soviet Union agreed to, and then carried out, withdrawal of its 100,000 troops, ending a nine-year military occupation. In Southern Africa, emissaries of Angola, Cuba and South Africa signed a United States-mediated peace accord providing for the removal of 50,000 Cuban troops from Angola in return for South Africa's grant of independence for Namibia. In North Africa, the United Nations agreed to supervise a referendum which will determine the fate of the Polisario rebels fighting for independence from Morocco.

Superpower relations continued to improve in 1988 as the Intermediate-range Nuclear Force treaty was implemented, eliminating an entire class of nuclear weapons in Europe. President Mikhail Gorbachev of the Soviet Union enhanced his image as a peacemaker by announcing future reductions in Soviet military forces and cuts in military spending.

Yet, despite the apparent drift toward peace in many regions of the world, other conflicts either erupted, continued or worsened during the past year. Civil war continues to be the norm in the African nations of Angola, Ethiopia, Somalia, Sudan and Mozambique. In the Middle East, an uprising of Palestinians in the Israeli-occupied territories started a cycle of violence and repression which worsened throughout the year. In Southeast Asia, the prospects for a Vietnamese withdrawal from Cambodia appear real, yet the specter of the return of the deadly Khmer Rouge loom large. Finally, in our own hemisphere, democracy is still non-existent in Nicaragua. In Chile, Paraguay, Panama and Haiti freedom is constrained at the hands of their unpopular, unelected dictators.

In addition, other pressing problems continue to afflict our world, ignoring national boundaries. Once again, hundreds of thousands of Africans, mostly children, starved to death despite the gallant efforts of many relief organizations. The problem of foreign debt worsened in 1988 as poor nations found themselves unable to escape the cycle of debt that has strangled their development. The scourge of illegal drugs, now increasingly recognized as more than just an American problem, has moved a number of governments to take drastic measures to control their own drug abuse problems and to attack drug-related crime and corruption.

There were other events of 1988, however, that helped raise the hope for peace. The stirrings of a desire for democracy and freedom among the people of several Soviet republics and Eastern European satellites are unmistakably clear. Yet, promises of military cuts, democratic reform and greater economic and individual freedom from the leaders of these and other countries are still only promises. Likewise, many of the accords ending conflict within or between nations are fragile.

In an unpredictable world, we must be careful to base our policies and actions on deeds and realities, rather than on words or perceptions. The challenge for the United States is to find the best way for us to relate to the many changes occurring in our world. Clear thinking and a positive direction in our foreign policy is needed.