



Special Report

1989

END OF A DECADE —
END OF AN ERA

A GLOBAL ASSESSMENT

ASSOCIATION OF THE UNITED STATES ARMY



PREPARED UNDER THE
AUSPICES OF THE AUSA INSTITUTE
OF LAND WARFARE



ASSOCIATION OF THE UNITED STATES ARMY
2425 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22201-3385
A Nonprofit, Educational Association

*Reproduction of this Report, in whole or in part,
is authorized with appropriate acknowledgment of the source.*

1989
END OF A DECADE - END OF AN ERA
A GLOBAL ASSESSMENT

| | | | |
|--|----|---------------------------------|----|
| CHRONOLOGY OF SIGNIFICANT EVENTS | 2 | Syria | 32 |
| INTRODUCTION | 3 | Israel | 32 |
| WESTERN EUROPE AND THE | | Jordan | 33 |
| NATO NATIONS | 5 | Iran | 33 |
| Canada | 5 | Iraq | 34 |
| Great Britain | 6 | Saudi Arabia | 34 |
| Norway | 7 | ASIA AND THE PACIFIC | 35 |
| Denmark | 7 | Japan | 35 |
| France | 8 | Republic of Korea | 37 |
| Belgium | 8 | North Korea | 37 |
| Netherlands | 9 | China | 38 |
| Federal Republic of Germany | 9 | Taiwan | 39 |
| Italy | 10 | Philippines | 39 |
| Spain | 10 | Vietnam | 40 |
| Greece | 11 | Cambodia (Kampuchea) | 40 |
| Turkey | 11 | Thailand | 41 |
| EASTERN EUROPE AND THE | | India | 42 |
| SOVIET UNION | 12 | Pakistan | 42 |
| USSR | 14 | Afghanistan | 43 |
| Poland | 15 | Burma (Myanmar) | 44 |
| The German Democratic Republic | 16 | Sri Lanka | 44 |
| Czechoslovakia | 17 | Australia | 45 |
| Hungary | 17 | New Zealand | 46 |
| Romania | 18 | MEXICO, CENTRAL AMERICA AND THE | |
| Bulgaria | 18 | CARIBBEAN | 46 |
| Yugoslavia | 19 | Mexico | 47 |
| Albania | 19 | Guatemala | 48 |
| AFRICA | 20 | Honduras | 48 |
| Morocco | 20 | El Salvador | 49 |
| Algeria | 21 | Nicaragua | 49 |
| Libya | 22 | Costa Rica | 50 |
| Nigeria | 22 | Panama | 50 |
| Sudan | 23 | Cuba | 51 |
| Ethiopia | 23 | Haiti | 51 |
| Kenya | 24 | Jamaica | 52 |
| Uganda | 24 | SOUTH AMERICA | 52 |
| Zaire | 24 | Colombia | 54 |
| Angola | 25 | Venezuela | 54 |
| Zambia | 25 | Brazil | 55 |
| Zimbabwe | 26 | Peru | 55 |
| Mozambique | 27 | Bolivia | 56 |
| Namibia | 27 | Paraguay | 57 |
| South Africa | 28 | Argentina | 57 |
| THE MIDDLE EAST | 28 | Chile | 58 |
| Egypt | 29 | Uruguay | 58 |
| Lebanon | 30 | CONCLUSION | 59 |

A CHRONOLOGY OF THE YEAR'S MOST SIGNIFICANT EVENTS

- | | | | |
|-------------|---|--------------|--|
| January 4 | — U.S. Navy fighters down two Libyan jets. | September 21 | — Vietnamese troops withdraw from Cambodia. |
| January 7 | — Emperor Hirohito dies, Prince Akihito ascends the throne. | October 3 | — Panamanian coup attempt fails. |
| January 20 | — George Bush inaugurated 41st U.S. president. | October 18 | — Honecker ousted as East German leader—Krenz assumes power. |
| February 2 | — Paraguay's Alfredo Stroessner ousted in military coup. | October 23 | — Hungary declares self free republic. |
| February 15 | — Last Soviet troops exit Afghanistan. | November 1 | — Nicaragua ends cease-fire against Contras. |
| February 27 | — 500 Venezuelans killed in riots over price increases. | November 9 | — East Germany opens borders including Berlin Wall. |
| March 19 | — Alfredo Christiani elected president of El Salvador. | November 10 | — Bulgarian leader Todor Zhivkov steps down. |
| April 5 | — Poland schedules first free election in 40 years. | November 11 | — El Salvador leftist rebels launch major offensive. |
| April 9 | — Soviet Georgia erupts in nationalist violence. | November 22 | — Lebanese president assassinated—Elias Hrawi appointed new leader. |
| April 15 | — Pro-democracy protests break out in China. | November 24 | — Communist party chief Milos Jakes leads mass politburo resignations in Czechoslovakia. |
| April 25 | — Soviet forces begin exiting Poland & Hungary. | November 26 | — Luis Alberto Lacalle elected president of Uruguay. |
| April 27 | — Soviets admit use of poison gas against Georgian demonstrators. | November 26 | — Rafael Leonardo Callejas elected president of Honduras. |
| May 7 | — Noriega voids Panamanian elections—U.S. increases military presence. | December 1 | — Rebel army troops surrender in sixth Philippine coup attempt. |
| May 14 | — Carlos Saul Menem elected president of Argentina. | December 2 | — Vishwanath Pratap Singh sworn in as prime minister of India. |
| May 16 | — Ethiopia: military coup attempt crushed. | December 3 | — East German communist party leadership resigns—Honecker expelled and detained. |
| June 3 | — Chinese army crushes pro-democracy protesters—hundreds reported killed. | December 10 | — Czechoslovakia installs non-communist coalition government—President Husak resigns. |
| June 3 | — Iran's Ayatollah Khomeini dies. | December 14 | — Patricio Aylwin elected president of Chile. |
| June 12 | — Soviet Uzbekistan erupts in ethnic violence. | December 17 | — Francisco Collor de Melto elected to Brazilian presidency. |
| June 24 | — China ousts communist party chief Zhao. | December 20 | — U.S. invades Panama. |
| June 30 | — Sudan military ousts civilian regime. | December 20 | — Hungarian Premier Miklos Nemeth quits party leadership. |
| July 28 | — Rafsanjani elected Iranian president. | December 25 | — Romania's Ceausescu toppled, executed in uprising. |
| August 8 | — Hundreds of East Germans seek asylum in West. | December 29 | — Playwright Vaclav Havel elected president of Czechoslovakia. |
| August 14 | — South African President Botha resigns—F.W. de Klerk sworn in. | | |
| August 17 | — Polish premier resigns—Solidarity forms new cabinet. | | |
| August 24 | — Poland's Tadeusz Mazowiecki confirmed first non-communist head of state in East Bloc. | | |

1989

END OF A DECADE — END OF AN ERA

A GLOBAL ASSESSMENT

INTRODUCTION

Of all the major events that occurred in 1989, nothing was nearly as astounding as the collapse of the Soviet empire in Eastern Europe. The events of the final few weeks of the last year of the past decade will have lasting impact on the well-being of the United States as a member of the world community. They have already changed drastically the lives of the people of Warsaw, Budapest, Berlin, Sofia, Prague and Bucharest. The fall of every Eastern European government except Albania's, and the secessionist stirrings in six of the 15 Soviet republics will also have a bearing on the lives of people living in places like Aberdeen, MD, Anniston, AL, Killeen, TX and Monterey, CA.

There were other political, economic, social and military occurrences around the world that will directly affect the security interests and the defense needs of the United States of America well into the new decade. Providing understanding and giving meaning to those events are the purposes of this, our 17th, annual global assessment.

It is not our intent to provide merely a narration of the dizzying parade of events of 1989. Rather, we endeavor to describe how these changes came about, where things stand now and to point out discernible signs that show where we may be headed. We attempt to avoid frivolous predictions, sticking to the facts as we understand them.

In our review of the happenings of 1989, we looked with awe at what *U.S. News & World Report* called "a vintage year for democracy." Recognizing that the world's attention has been riveted for weeks on Eastern Europe, we devote extra effort to report on other parts of the world—giving emphasis to regions where there is war. In so doing, we pay special attention to regional instability, terrorism and drug trafficking wherever they exist.

As we emphasize the major political and military changes of 1989, we are also careful not to overlook the economic

aspects of national security and we attempt to accentuate those which directly affect our own security interests.

The time has come for the United States to undertake a realistic evaluation of its role in the world and to do whatever is necessary to play out that role. We must be ready to extend ourselves philosophically, economically and, wherever it might be needed, militarily, to sustain the United States of America as a credible haven of human freedom and dignity.

The following discussion of the events of 1989 will, hopefully, help provide direction toward that end.

The reader should understand that this document is based on events of 1989. It is recognized that the world moved into 1990 with many fast-moving changes in process, particularly in Eastern Europe, and some of these have radically altered the 1989 picture. As appropriate, editor's notes are included to recognize significant events and changed conditions.

This global assessment 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 seventh year. The major contributors to this work were: GEN Frederick J. Kroesen, GEN Robert W. Sennewald and LTG Richard G. Trefry, all USA Ret., MG Robert F. Cocklin, AUS Ret., Patrick J. Donovan, and Bruce Brager. MSGT (Ret.) George E. Ehling compiled the vital statistics for each nation and maintained the daily files essential to this effort. Lori Johnston, Nancy Edwards, Clark Mulligan and Patricia Taylor provided crucial administrative assistance.



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

February 1990

EDITOR'S 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 1989-1990*, The International Institute for Strategic Studies, London, and *The World Almanac and Book of Facts 1990*, Pharos Books, New York.

WESTERN EUROPE



WESTERN EUROPE AND NATO — A YEAR OF ANTICIPATION

The cataclysmic changes in Eastern Europe in 1989 were watched in awe and wonder and prompted a frenzy of intellectual activity by seers seeking to advise and counsel the leaders of the West concerning how they should react. Editorials demanded troop cuts and budget reductions for any or all of three reasons: 1) reduced threat in Europe, 2) economy, or 3) to encourage reciprocation by the Warsaw Pact.

Unquestionably, the changes are compelling. President Bush announced a withdrawal of 30,000 troops. Defense Minister Stoltenberg of West Germany announced a reduction in low-level military flights. Gen. John Galvin, Supreme Allied Commander Europe, reduced NATO field exercises and Defense Secretary Cheney put NATO on notice that a reduction in the U.S. contribution to NATO is inevitable. Nevertheless, the year ended with no major departure from NATO's commitments, requirements or strategy, and with no final decisions regarding troop strengths, missile deployments, or the concept of forward defense.

During the year, contentious issues surfaced and created crucibles of interest. A follow-on-to-LANCE missile, which will both replace an obsolescent system and close the INF gap created by the loss of Pershing II, remains an unresolved problem. The future of nuclear weapons deployment in NATO nations remains clouded. Final agreements regarding troop strengths and dispositions for both NATO and the Warsaw Pact have not been made and progress seems little better than desultory. Congressional initiatives concerning troop withdrawals, burden-sharing, and budget reductions promise future adjustments but have not caused drastic revisions as yet.

United States of America

Population: 248,917,000.

Government: Democracy.

Head of Government: President George Bush

GDP: \$4,832.2 trillion.

Per Capita Income: \$18,530.

Defense Expenditures: \$289.8 billion.

Armed Forces: Army—776,500, 472,000 Army National Guard, 610,800 Army Reserves; Navy—583,900, 242,600 reserves, 195,300 Marines, 86,800 Marine Reserves; Air Force—579,200, 115,000 Air National Guard, 128,700 reserves; Coast Guard—38,100, 18,350 reserves; Stand-by Reserves—37,500 all services; Retired Reserves 175,500 all services; Paramilitary—68,000 Civil Air Patrol.

Forces Abroad: 517,390.

Total Regular Armed Forces: 2,143,250.

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

By year's end, a second view was claiming attention. NATO's Secretary-General Manfred Woerner warned the member governments that it is not yet time to unilaterally reduce their defense efforts. Somewhat surprisingly, Foreign Minister Genscher of the Federal Republic of Germany also called for sustained military strength as the only course for NATO and Western Europe during this period of flux in the East. Both of these men were reflecting an underlying concern that euphoric thinking could drive the West to unwise precipitate action that would weaken security.

At year's end that view was shared by others who began to be heard concerning the continuing threat posed by the Soviet armed forces. Despite pronouncements of intended reductions, Soviet capabilities continue to be menacing—tank production continues, new, more sophisticated submarines go to sea, missile production has more than filled the SS-20 void, and the conventional forces continue to modernize at an enviable pace. Those facts, despite the potential political and economic collapse of the communist world, when considered in light of continued Soviet support for its satellites, surrogates, and "revolutionary forces" of the Third World, have given some pause to declarations of an arrived peace. It is not impossible that Mikhail Gorbachev could be deposed by a hard-line Communist who would find the Red Army intact and employable.

Canada

Population: 26,065,000.

Government: Confederation with parliamentary democracy.

Head of Government: Prime Minister Brian Mulroney

GDP: \$494.06 billion.

Per Capita Income: \$15,160.

Defense Expenditures: \$8.83 billion.

Armed Forces: Army—23,500, 18,800 reserves; Navy—17,100, 4,000 reserves; Air Force—24,200, 1,300 reserves; Paramilitary—6,600 coast guard.

Forces Abroad: 8,321.

Total Regular Armed Forces: 89,000.

Note: The Canadian armed forces were unified in 1968. Of the total strength, some 24,200 are not identified by service.

With almost complete disregard of the 1987 white paper calling for a substantial defense modernization and buildup, the Canadian government drastically shifted its budgetary priorities in 1989. Ottawa scaled back its international defense commitments and devoted more of its energies and resources toward domestic concerns. The culprit behind the shift was Canada's national debt.

In response to increasing national concern, the Progressive Conservative government of Prime Minister Brian Mulroney made debt reduction Canada's top budget priority in the formulation of the 1989-1990 budget. Presently, the national debt stands at \$265.6 billion and it has been growing rapidly. Approximately 35 percent of all government revenue goes to pay the debt.

The sudden and drastic changes in Canada's defense program, announced in April, shocked many members of NATO. Although Prime Minister Mulroney had hinted at changes for some months, the formal budget projection evoked harsh reaction from the Canadian defense industry which used phrases such as "stunned by the massacre" to register its confusion regarding the details of the revision. In an attempt to save \$2.27 billion in the next five years the government has sought to eliminate the procurement of up to 12 submarines, the centerpiece of the 1987 white paper. It would also close or reduce 14 military bases around the country and reduce or delay the procurement of main battle tanks, F18 and long-range maritime patrol aircraft, all-terrain vehicles, light-armored vehicles and communication equipment. The budget revision also reduces Canada's defense program to less than two percent of gross domestic product, the second lowest in NATO behind Luxembourg.

Domestically, the Canadians are once again faced with a Quebec separatist crisis. The 1987 Meech Lake agreement of the 10 provincial premiers and the federal prime minister regarding the powers and authority of the provinces in relation to the federal government is faltering. It seems unlikely that the agreement will be ratified by the June 1990 deadline. The apparent failure has roused again the Quebec separatists who wish to withdraw completely from the federation.

Meanwhile, Mulroney's government provided another indication of changing priorities when it postured itself for membership in the Organization of American States (OAS). That step has been resisted since Canada refused to join the now-defunct Pan American Union in 1907. When the OAS was originally formed in 1972, Canada only agreed to maintain observer status.

The new decade will provide the Canadians with numerous challenges. The final effect of the change in Canada's commitment to NATO and the effectiveness of its forces will be closely observed by its allies. If the debt can be controlled, long-term budget predictions forecast an increase in defense allocations for 1994 and beyond. Meanwhile, the possibility of an independent Quebec now seems less remote than at any time in the past. The challenge of these issues will test the political acumen of the Canadian government in the coming year.

Great Britain

Population: 57,013,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Margaret Thatcher

GDP: \$609.69 billion.

Per Capita Income: \$10,420.

Defense Expenditures: \$34.56 billion.

Armed Forces: Army—155,500 (includes 7,600 Gurkas), 255,200 reserves; Navy—64,650 includes Marines, 30,300 reserves; Air Force—91,450, 35,700 reserves; Strategic Forces—2,000.

Forces Abroad: 96,250.

Total Regular Armed Forces: 311,600.

The past year was marred by squabbles within Prime Minister Margaret Thatcher's Conservative Party over the course of monetary policy in the soon-to-be-integrated European Community. Mrs. Thatcher expressed reticence about joining the European Monetary System and pegging the British pound to the deutschemark.

Tory government infighting came at a time when a national opinion survey showed that less than 25 percent of registered voters were satisfied with the Thatcher government's policies. Disillusion and discontent surfaced within the cabinet, principally over economic policies within the European Monetary System as well as over the autocratic manner with which Mrs. Thatcher deals with internal opposition. The result was a cabinet shake-up which evicted many old hands and introduced a new group of leaders who many believe the prime minister has ticketed for power.

Though the new ministers were thought to be more than competent, many in the electorate were dismayed by the resignation of Chancellor of the Exchequer Nigel Lawson in November. At year-end, despite the ripple of protest and a first-time-ever opposition candidate, Mrs. Thatcher received a solid vote of approval from her party members—314 of 374 votes—for the party leadership. Her challenger received 33 votes, the others being abstentions, mutilated and blank ballots. Some observers predict that those missing votes could be "troublesome" in the future, but Mrs. Thatcher has at least two years in which to prove she can once again handle the challenge. In fact, at the end of the year she was promising to lead the Conservative Party in two more elections.

From the standpoint of NATO, the United Kingdom has taken a cautious approach to the events of Eastern Europe. The prime minister has publicly sought West German and NATO agreement on the production of a follow-on to the LANCE short-range nuclear missile system. Also, the British Labor Party provided NATO some good news by reversing their positions on unilateral disarmament, the eviction of U.S. nuclear forces and the cancellation of Trident submarine procurement. Unfortunately for both Mrs. Thatcher and the Labor Party, these same proposals were picked up by the Greens, the environmental political party that garnered 15 percent of the vote in the elections for the British complement to the European Parliament. The rise of the Greens may indicate a dissatisfaction within the electorate for both Britain's established parties.

The new decade will most probably bring about some very interesting domestic political developments in the United Kingdom. Though, if the past is any indicator, Mrs. Thatcher should retain the helm for as long as she chooses.

Norway

Population: 4,210,900.

Government: Hereditary constitutional monarchy.

Head of Government: Prime Minister Jan P. Syse

GDP: \$90.43 billion.

Per Capita Income: \$17,190.

Defense Expenditures: \$3.01 billion.

Armed Forces: Army—19,000 (13,000 conscripts), 146,000 reserves; Navy—5,300 including coastal artillery (3,500 conscripts), 26,000 reserves; Air Force—9,100 (5,300 conscripts), 28,000 reserves; Paramilitary—680.

Forces Abroad: 887.

Total Regular Armed Forces: 34,100 includes joint service organizations and Home Guard (21,800 conscripts).

In October, the government of Norway transferred from Prime Minister Gro Harlem Brundtland to a non-socialist coalition led by Jan Syse. Syse and his Conservative Party were joined in a minority government by the Christian People's Party and the Center Party, garnering 64 of the 165 seats in the Storting (Norway's parliament).

The life of the Storting is mandated by law to be four years, yet the life of the coalition is likely to be somewhat less. The new government began rule bitterly divided over membership in the European Community (EC). The Center Party has voiced strong opposition to membership while the Conservative Party's rank and file seems convinced that the party has a mandate to seek membership.

The election's biggest winner was Carl Hagen and his far-right Progress Party. Their sizable gain in Storting representation—from two seats in 1985 to 22 this year—was achieved by appealing to right-wing sentiment for stemming the tide of immigration as well as advocating tax reductions, privatization and a free economy. Whether temporary support from Hagen's party will keep the coalition in power on such issues as EC membership remains problematic. Yet the coalition ended the year as the only political grouping able to lead the government.

Mrs. Brundtland and her finance minister, Gunnar Berge, left the economy in good shape for the new government. The former Labor government inherited an economy devastated by the collapse of oil prices in 1985. Pursuing uncharacteristic fiscal conservatism, the Brundtland government reduced inflation from 10 percent in 1986 to its present level of 4.5 percent while also eliminating the budget deficit. Though the austerity measures revitalized the economy, unemployment rose to 3.7 percent from a post-World War II average of 2.5 percent, which gave rise to the indignation of the voters.

On the military front, Norway continued its conservative policies and programs by defending the INF Treaty, calling for force reductions in both NATO and the Warsaw Pact and expressing confidence in "an appropriate mix" of conventional and nuclear forces as a credible deterrent.

Finally, if the present non-socialist coalition cannot resolve its differences over EC membership, it will probably not survive the year. Moreover, waiting in the wings will be Carl Hagen and his Progress Party looking to gain political capital for the 1993 elections.

Denmark

Population: 5,141,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Poul Schulter

GDP: \$107.64 billion.

Per Capita Income: \$14,930.

Defense Expenditures: \$1.86 billion.

Armed Forces: Army—17,000 (7,600 conscripts), 55,000 reserves; Navy—7,700 (900 conscripts), 7,600 reserves; Air Force—6,900 (700 conscripts), 11,700 reserves.

Forces Abroad: 452.

Total Regular Armed Forces: 31,600 (9,215 conscripts).

In Denmark the pursuit of more conservative economic policies resulted in tax reductions and some drastic cuts in welfare benefits. It also resulted in the loss of two conservative seats in Denmark's representation in the European Parliament.

In a move to increase public revenues, the government decreased the amount a homeowner can deduct on mortgage interest payments from 100 percent of interest to only 50 percent of interest. That move caused an almost instantaneous 30 percent depreciation in housing prices while foreclosures increased 45 percent from the previous year.

Presently, the Danish government counts taxes as more than 50 percent of measurable gross domestic product. The enormous tax burden, in turn, stifles risk-taking, entrepreneurship and free market competitiveness. What is significant, however, is the apparent growth in sentiment against full participation in the European Community come 1992. Not all Danes approve of their government's Thatcher-like economic policies, but enough of them have doubts about the EC to vote five of the 16 Euro-seats to anti-Community parties.

The Danish minority government, led by Prime Minister Poul Schluter, ran into inter-Community problems this past summer while attempting to complete a bridge and tunnel system that will link Denmark's eastern islands to the European mainland. As construction was about to begin on the final major link, the EC took Denmark to court over discriminatory demands for Danish labor and material guarantees in the bids submitted for construction. Denmark acquiesced, admitted its mistake and then removed the offending requirements from the final contract. This, however, did not mollify the losers who insisted the award was made on unfair grounds.

Essentially, the Danes want to get on with construction while the EC is looking to set an example for the more powerful members of the Community, such as Italy and Germany, who are usually partial to national corporations in the awarding of government contracts. The resolution of this type of problem is interesting principally for its portent in the developing common market.

If Denmark is to be prepared for the rapidly approaching common market, Prime Minister Poul Schulter will have to rely on more than public revenues to increase gross domestic product. Otherwise, the competitive giants—Britain, France, Germany and Italy—will squeeze Danish industry right out of the market.

France

Population: 55,784,000.

Government: Republic.

Head of State: President Francois Mitterrand

GDP: \$950.16 billion.

Per Capita Income: \$12,790.

Defense Expenditures: \$28.83 billion.

Armed Forces: Army—292,500 (183,000 conscripts), 267,000 reserves; Navy—66,500 (19,200 conscripts), 28,000 reserves; Air Force—94,100 (35,900 conscripts), 58,000 reserves; Paramilitary—87,200 (10,100 conscripts).

Forces Abroad: 88,270.

Total Regular Armed Forces: 466,300 includes 3,600 Central Staff, 8,700 Service de Sante and 2,200 Service des Essence not listed above (240,100 conscripts).

A major concern of the French for the past year has centered on the economic integration of the European Community (EC). President Francois Mitterrand showed strong support for the EC and throughout the year urged member nations for more rapid progress in adopting economic and monetary union policies which would expedite the unification of a single Western European market. Mitterrand was also outspoken in his advocacy for an early 35-nation conference, as proposed by the Soviet Union, to discuss the future of Europe and the possibility of German reunification. The president believes that Western nations must act quickly and decisively in order to positively impact the current changes taking place in Eastern Europe.

Meanwhile at home, Prime Minister Michel Rocard showed himself to be a rather capable politician. In his first year as head of government the prime minister has deferred to Mitterrand in all matters concerning defense and foreign affairs, while effectively pursuing economic matters and social programs. On the social agenda the government had to deal with the sticky topic of immigration reform necessitated by the presence of four to five million foreign nationals residing in France. The prime minister's economic policies have resulted in a low inflation rate, higher-than-forecast economic growth and a strengthened franc. Some have credited Rocard's improved personal popularity as the catalyst for the Socialist Party's strong showing in France's municipal elections last March. The Socialists gained control of 133 municipalities out of the 392 contested. That was up 22 from the previous election.

In the June elections for European Parliament representation, former President Valery Giscard d'Estaing re-emerged as a political force. He led a conservative coalition which gained 29 percent of the electorate and the largest block of seats in the French complement. The Socialists were a disappointing second with 24 percent of the vote, while the Greens made a substantial breakthrough in cornering 11 percent of the electorate.

Militarily, the French opted for in-house expenditures, turning down U.S.-made F18s in favor of refurbishing and prolonging the life of their aging Crusaders until their Rafale fighter is available for production in 1998. The government is also pursuing, with U.S. encouragement, co-development

of a long-range air-launched cruise missile with the British. For arms control purposes, such a weapon could serve as a substitute for a LANCE follow-on. Though down from a projected four percent increase, the new military budget does promise to increase defense spending by 2.7 percent—a relatively strong showing among NATO allies—which promises the same modernization program at a slower pace.

Mitterrand's concerns for the new decade will be in Europe. The two issues that will highlight his agenda for the new year will be EC integration and Eastern European cooperation. Already, his government has moved quickly to aid the people of Romania. That is a good indication of France's desire for peace and stability on the continent.

Belgium

Population: 9,938,000.

Government: Parliamentary democracy under a constitutional monarch.

Head of Government: Premier Wilfried Martens

GDP: \$152.52 billion.

Per Capita Income: \$11,480.

Defense Expenditures: \$2.80 billion.

Armed Forces: Army—67,800 (30,100 conscripts), 109,000 reserves; Navy—4,700 (1,550 conscripts), 4,500 reserves; Air Force—19,900 (5,100 conscripts), 16,500 reserves; Paramilitary—15,900.

Forces Abroad: 26,600.

Total Regular Armed Forces: 92,400 (36,700 conscripts).

The Belgians began the new decade by upsetting their NATO counterparts with proposed unilateral troop cuts. Defense Minister Guy Coeme announced, in January 1990, that his country seeks to pull its 25,000 troops out of West Germany by the end of the this year. Many military analysts believe such a move would diminish the present bargaining advantage that NATO enjoys because of disarray among members of the Warsaw Pact. Should Belgium proceed with its proposal, it would most likely result in the Soviet bloc regaining a measure of negotiating stature at the Conventional Forces in Europe (CFE) talks which opened in March.

In another related event, the Belgians became the first-ever NATO nation to sign a limited military accord with a member of the Warsaw Pact. During November, Hungary and Belgium signed an accord allowing limited military cooperation between the two nations. The three-year agreement provides for visits by Army chiefs of staff, military students, historians, surgeons and musicians.

Politically, the Belgians bucked the general leftward movement in the European Parliament elections with a net one-seat gain by its right-of-center parties. Still, no clear political trend was discernible in that none of the six contending parties gained or lost more than one seat.

On the domestic agenda, Prime Minister Wilfried Martens extended his country's experiment with federalism as the parliament granted further autonomy to Wallonia, Flanders and Brussels in an effort to further mollify the ongoing contentiousness of these major ethnically divided areas.

Internationally, Belgium weathered a nasty disagreement

with Zaire which originally erupted through Belgian charges of corruption among Zaire's leaders. When Brussels threatened to withdraw economic assistance, the quarrel was settled and a new debt-relief package smoothed the return to diplomatic normalcy.

Earlier, in January 1989, the Belgians arrested a shipping executive and charged him with shipping equipment used in the construction of the Libyan pharmaceutical/chemical weapons plant. The event has served to strengthen the United States' case against the Libyan government.

Netherlands

Population: 14,800,000.

Government: Parliamentary democracy under a constitutional monarch.

Head of Government: Prime Minister Ruud Lubbers

GDP: \$277.48 billion.

Per Capita Income: \$11,860.

Defense Expenditures: \$6.64 billion.

Armed Forces: Army—63,700 (43,000 conscripts), 143,000 reserves; Navy—16,900 includes naval air and marines (1,400 conscripts), 9,400 reserves; Air Force—18,200 (4,800 conscripts), 6,000 reserves; Paramilitary—8,450 (400 conscripts).

Forces Abroad—5,868.

Total Regular Armed Forces: 103,600 including 3,700 royal military constabulary and 1,100 inter-service organizations (49,600 conscripts).

During the summer of 1989, the coalition government of Prime Minister Ruud Lubbers toppled over when his centrist Christian Democrat party could not come to an agreement with its coalition partner, the Liberal Party, over how to fund a proposed new environmental program. National elections were held on Sept. 6, with the Christian Democrat/Liberal coalition garnering a one-seat majority victory. Yet in a surprising move, designed to strengthen his coalition, Lubbers courted the socialist Labor party, thereby leaving the Liberals out of the government.

The change is predicted to move the government leftward, and though that may benefit environmental issues it will probably alter economic policies that were previously dedicated to tax and deficit reductions. Further, it will probably increase Dutch reticence for support of defense expenditures.

For the Dutch, the most important issue of the year has been the state of the environment. Even the usually apolitical Queen Beatrix got into the act. In her 1988 Christmas address, she warned the people that the future of civilization was at risk due to the pollution problem. The reason for the newfound concern lies in the fact that Holland is especially vulnerable to the effects of pollution. Lying at the mouth of the Rhine River, the country collects the pollution discharge of a number of other European nations. The Dutch concern about the possibilities of rising water levels due to the "greenhouse effect" has its basis in the fact that more than half their nation lies below sea level.

With the new coalition in power it seems as though Lubbers' environmental plan will be put into effect. The results of the

election seem to indicate that the voters are greatly in favor of a cleaner environment. To date, the Lubbers plan is the most ambitious national attempt at pollution reduction. The plan is centered on two basic principles: 1) that economic growth and vitality and environmental protection can operate in conjunction with one another, and 2) that the polluter pays.

The aim is to reduce all major types of pollution by somewhere between 70 to 90 percent in the next 20 years. In order to finance this project the government plans to increase environmental spending by \$1.3 billion next year with costs peaking at 3.5 percent of the GNP by the end of the project. To cover the cost of next year's enormous expenditure, Lubbers plans to reduce the income tax cuts slated to go into effect next year, by half, thereby raising revenues by \$1.8 billion. Considering the taxpayers already support one of the largest welfare systems in Europe, the plan may not carry past the people if it means higher taxes.

Federal Republic of Germany (West Germany)

Population: 61,214,000.

Government: Federal republic.

Head of Government: Chancellor Helmut Kohl

GDP \$1,205.7 trillion.

Per Capita Income: \$14,400.

Defense Expenditures: \$28.57 billion.

Armed Forces: Army—340,700 (175,900 conscripts), 717,000 reserves; Navy—36,000 including naval air (9,000 conscripts), 26,000 reserves; Air Force—106,000 (36,500 conscripts), 106,000 reserves; Paramilitary—21,000.

Total Regular Armed Forces: 494,300 (222,300 conscripts) includes 11,600 inter-service staff not listed above.

Center stage in Western Europe for 1989 was occupied almost solely by West Germany. This was mostly due to the East German popular uprising that riveted the world's attention on the Berlin Wall. It also raised the question of German reunification, almost to the exclusion of the rest of the eastern bloc. Another factor which highlighted the year included the Federal Republic's immediate response of aid in the eastern bloc economic crisis—while other western nations lay idly by.

Chancellor Helmut Kohl began the year under extreme pressure resulting from dissatisfaction with his policies both within the party and throughout the electorate. His Christian-Democratic Party had been steadily losing ground to the opposition which raised questions concerning his leadership ability within party ranks. Yet in September, he rallied sufficient support at the CDU convention to retain his party's chairmanship.

Kohl's end-of-year announcement of a 10-point program for German reunification stunned the West and was an indication of self-confidence in his regional leadership abilities in that he did not consult any of the allies. Initially, the East Germans and Soviets denounced the plan—the former because its leadership at that time opposed union and the Soviets because it "exacerbates instability." Conversely, the East Germans ended the year with hundreds of thousands

demonstrating in Leipzig and Dresden in favor of reunification. The question no longer seems to be whether or not the two Germans will be reunited, rather, how soon it will happen.

The West German government has encouraged and sponsored economic ventures, cultural exchanges and cooperative accords with the GDR, and voices no opposition to the activities of West German political parties which have begun to establish contacts and foundations in the East.

Within NATO, German leadership is growing at the expense of the U.S. and Britain. Germany has pushed for a ban on short-range nuclear weapons which has stifled the debate over a follow-on to the LANCE missile. In addition, the government has reduced the size and intensity of NATO exercises and training programs while also considering a 20 percent reduction in the German armed forces. German leadership was also evident in the European Community when decisions regarding progress toward economic and monetary union closely followed German recommendations. Moreover, that this thrust was coupled with a French endorsement for German reunification in direct opposition to the British, is a further indication of the Federal Republic's expanding regional influence.

Chancellor Kohl begins the new decade still at center stage and enjoying a strong position in NATO. Further, he appears in good stead in his relations with the Soviet Union and on the intra-German political scene. As with all of Western Europe, he is awaiting developments in the East, but he is more likely than most to be actively engaged in trying to influence the course of those developments.

Italy

Population: 57,587,000.

Government: Republic.

Head of Government: Prime Minister Giulio Andreotti

GDP: \$815.30 billion.

Per Capita Income: \$10,350.

Defense Expenditures: \$16.22 billion.

Armed Forces: Army—265,000 (215,000 conscripts), 520,000 reserves; Navy—52,000 including air arm, special forces and marines (27,500 conscripts), 36,000 reserves; Air Force—73,000 (30,000 conscripts), 28,000 reserves; Paramilitary—238,400.

Total Regular Armed Forces: 390,000 (272,500 conscripts).

In a rather commonplace and characteristic occurrence, the 48th Italian post-war government fell in 1989 and the 49th was organized by much the same five-party coalition that has controlled the government for years. Prime Minister Ciriaco DeMita resigned in May after serving 13 months in office. He was the victim of both a lack of support in his own Christian Democratic Party and the political actions of Benito Craxi, who was bent on improving the Socialist's seat count in the European Parliament. Craxi's success was nominal and the Italian representation in Strasbourg was barely affected.

The new government was formed under the leadership of another Christian Democrat, Giulio Andreotti. Many believed that Andreotti's new government was "born strong" when he conceded the deputy premiership and foreign ministry to

Socialists, while appointing the highly respected Guido Carli as treasury minister. Andreotti served as prime minister five times previously and his portfolio includes holding senior cabinet posts in 27 out of the 48 post-war governments. His experience may be long, yet it is extremely doubtful that he will be able to hold a government together for more than a year.

Similar to the situation inherited by the previous government, the new government will be faced with Europe's largest budget deficit and questions about Italy's ability to compete in the European marketplace. It will also be required to cope with growing support for the radicals who advocate the legalization of drugs. Also on the agenda will be the environmental problems of the Po River and the Adriatic Sea.

The long, hard battle against La Cosa Nostra, the Sicilian Mafia, received a much-needed boost this past year. Francesco Marino Mannoia, one of the Mafia's most highly skilled heroin refiners, turned state's evidence and agreed to cooperate with authorities. Fearing for his life, even though in prison, Mannoia lent his cooperation to law enforcement officials after four members of his family were murdered.

At year-end, the Italian Communist Party—Western Europe's largest—called for an extraordinary congress in the first part of 1990 to "re-found" the party under a new name. That action came on the heels of the collapse of Eastern Europe's communist governments, which caused the party to scramble to re-identify itself with the voters. If the Communist party can revamp its image and align itself with the other leftist parties, it may be able to end the decades-old rule by the Christian Democrat coalition.

Spain

Population: 39,263,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Felipe Gonzalez
Marquez

GDP: \$340.10 billion.

Per Capita Income: \$6,010.

Defense Expenditures: \$6.84 billion.

Armed Forces: Army—210,000 (164,000 conscripts), 820,000 reserves; Navy—39,000 including marines (24,500 conscripts), 135,000 reserves; Air Force—36,000 (21,500 conscripts), 35,000 reserves; Paramilitary—111,000.

Forces Abroad: 85.

Total Regular Armed Forces: 285,000 (210,000 conscripts).

The political and economic disarray, carried over from last year, attenuated noticeably in 1989. As the governing Socialist Party moved to correct its previous shortfalls, the opposition remained fragmented and posed little serious threat to Prime Minister Felipe Gonzalez. Economic gains, apparent in the short term, were impressive. They included a five percent growth in the Gross Domestic Product and reductions, though small, in the unemployment and inflation rates. Both latter factors remain a serious problem for the Gonzalez government in addition to a reckoning, soon due, on the increasing debt and balance of payments deficit.

Recognizing that his problems could only get worse with time, the prime minister scheduled national elections for October 1989, eight months early. The results at year's end were problematic. Prime Minister Gonzalez's Socialist party lost ground, yet it still retained the largest representation in the government and is able to govern as before, given the discordancy of the opposition. Though the Socialists command a majority, it seems only temporary. This is caused by the fact that the political arm of Basque terrorism, Herri Batasuna, was prohibited from taking their four seats and because 18 other seats were left empty as the result of court annulments of constituency elections.

Nevertheless, it is presumed that Gonzalez will be back in power for another four-year stint. During his new term Gonzalez will have to move slightly to the right in acknowledgement of the solid position of the Peoples Party, now the principal opposition.

Basque terrorism continues to be an unresolved issue. Although the Basque separatists have been granted a great deal of autonomy in Spain's three northern provinces, where they enjoy the support of 90 percent of the Basque people, a small, very militant minority continues to demand full independence. For several years they have employed violent means to press their case. Discussions with the government, once considered promising, were broken off in April followed by suspension of the cease-fire by the militants. The result was an immediate resumption of letter-bombing and other horrendous acts of terrorism. Termination of the talks did produce one positive factor for the government in that Algeria expelled six terrorist leaders from their safe haven in that country. The indication was clear that Algerian support for the separatists was at an end.

Finally, Spain made significant adjustments to its role in NATO. The government negotiated accords with NATO commands regarding land, sea and air forces defending Spain and the Strait of Gibraltar and the use of Spanish logistics and staging bases for NATO forces. Resolution of the "American problem"—the removal of a U.S. fighter squadron from Torrejon—resulted in a long-term agreement that eight other U.S. military installations would remain.

Greece

Population: 10,105,000.

Government: Presidential parliamentary republic.

Head of Government: Prime Minister Tzannis Tzannetakis

GDP: \$51.8 billion.

Per Capita Income: \$4,020.

Defense Expenditures: \$3.89 billion.

Armed Forces: Army—160,000 (12,000 conscripts), 350,000 reserves; Navy—20,500, (12,000 conscripts), 24,000 reserves; Air Force—28,000 (16,000 conscripts), 32,000 reserves; Paramilitary—30,500.

Forces Abroad: 3,950.

Total Regular Armed Forces: 208,500 (140,500 conscripts).

The volatile atmosphere of political and economic turmoil which plagued Greece in 1988 was the foundation for the equally chaotic events which took place throughout 1989.

The personal trials and tribulations of Andreas Papandreu and his Socialist Party (PASOK) dominated press and television coverage on both the national and international levels.

Charges of personal corruption and bank fraud were leveled against Papandreu and other PASOK members. Some of the allegations include the acceptance of kickbacks, bribery and embezzlement. Investigators are still trying to determine just how more than \$200 million disappeared from the Bank of Crete. This scandal rivaled accounts of Papandreu's dallying, divorce and health problems for front page treatment. The soap opera aura was later heightened by last-ditch Socialist efforts to revise laws, change procedures and erect barriers to shield PASOK members from prosecution while simultaneously making electoral law adjustments designed to assure their continued control of the government.

National elections which took place in June and November succeeded in removing Papandreu from power but failed to create anything but caretaker government coalitions. To date the coalitions have placed their primary focus on the adjudication of punishment for the corrupt members of the previous Socialist administration. The political year ended with the nation awaiting another election in the spring of 1990 and the hope that this one might produce a government capable of the strong leadership necessary to repair the monumental economic problems which are the legacy of the Papandreu years.

At the end of the year the Greek government faced a 16 percent rise in the Consumer Price Index, increasing unemployment, a massive budget deficit, education and health programs in shambles and a pollution problem considered to be the worst in Europe.

Resolution of the American bases issue was again postponed. Presently, the dozen or so U.S. installations on Greek soil are scheduled to close by May 1990, unless some changes are made. Relations with Turkey again soured as Greek territorial claims in the Aegean clashed with Turkish determination to expand its aerial search and rescue authority farther from its border. The worst scenario facing the Greek people is that of Papandreu's return to power in the next election. That is a possibility if the justice system fails to convict him of the charges he presently faces. Once again, the promise of progress for Greece is murky at best.

Turkey

Population: 55,541,000.

Government: Republic.

Head of Government: President Turgut Ozal

GDP: \$62.23 billion.

Per Capita Income: \$1,210.

Defense Expenditures: \$2.93 billion.

Armed Forces: Army—528,500 (497,000 conscripts), 808,000 reserves; Navy—55,000 including marines (42,000 conscripts), 73,000 reserves; Air Force—67,400 (36,800 conscripts), 70,000 reserves; Paramilitary—26,100.

Forces Abroad: 27,000.

Total Regular Armed Forces: 650,900 (575,800 conscripts).

For Turkey, 1989 has been a rather chaotic year. It commenced with Turkish Prime Minister Turgut Ozal and his Motherhood Party in serious trouble due to the precarious state of Turkey's economy. Inflation for 1988 was officially represented at 75 percent (though actually much higher), interest rates hovered around 85 percent and unemployment topped out at 15 percent.

Besides his economic woes, Ozal was accused of governing by cronyism and nepotism and the Turkish people blamed him for not improving their chances of gaining acceptance into the European Community. Unfortunately things got worse, and in the March national elections the prime minister and his party suffered a severe rebuke, gaining only 22 percent of the electorate. That was a 14 percent reduction from the 1987 election. Ozal's party did, however, retain control and in a move to clean house he appointed a new cabinet sans family members. Ozal also vowed to take personal charge of the inflation battle.

Turkey's refugee problem once again erupted this year. In 1988, Turkey absorbed 60,000 Kurds escaping the Iran/Iraq war, who were added to 1.5 million Iranians already in Turkey. The problem was exacerbated when 300,000 ethnic Turks sought refuge from Bulgarian repression in just the first half of the year. In August, though still expressing a willingness to accept their ethnic families, Turkey closed the Bulgarian border to all but visa-carrying applicants because of overcrowded refugee facilities.

Despite the welcome offered Kurdish refugees, an internal Kurdish rebel group continued to employ terrorist tactics in protest against Turkey's treatment of its minority population. Human rights organizations complained of Turkish police brutality and torture, and the retention of political prisoners under deplorable conditions was aired in a U.S. Congressional delegation inquiry.

Meanwhile, relations with Greece, which in 1988 seemed to be improving, suffered a serious setback when Turkey announced an expansion of its search and rescue operations farther into the Aegean Sea. This resulted in several fighter plane confrontations between the two countries.

In October, Prime Minister Ozal opted for a different role and accepted the presidency in an election by his controlled parliament. The prime ministry was turned over to a caretaker when the Motherhood Party failed to identify a replacement for Ozal. The new head of government will face the same old economic problems as well as a 130 percent increase in the defense budget as Turkey attempts to modernize its armed forces. Despite these hurdles, the long-term outlook remains promising for Turkey. Last year's economic growth rate remained at five percent, exports continue to increase, foreign investments are up and, finally, the government is enjoying a current accounts surplus.

EASTERN EUROPE AND THE SOVIET UNION — A YEAR OF PROFOUND CHANGES

The central image of 1989 came the evening of November 9. The Berlin Wall, for 28 years the most visible and hated symbol of the cold war, had suddenly become the latest German night spot. People were standing and dancing on top of the wall, celebrating its effective destruction and the opening of the iron curtain that has so long divided Europe. The epitome of implacable communism that had seemed so permanent at the beginning of 1989, had at year's end become a captive of capitalism—pieces of it were being sold in American department stores.

The incredibly rapid and, for the most part, peaceful (with the sad exception of Romania) breakup of the Soviet European empire, began quietly at the start of the year. The Polish government, realizing it could not solve its severe economic problems alone, began negotiations with the banned Solidarity trade union movement in February. This was done with the apparent approval of Moscow. Within two months an agreement was reached, legalizing Solidarity and scheduling semi-open elections for June. The Polish Communist Party won only one of 262 contested seats in the new bicameral parliament. By the end of August, a Solidarity advisor had become Poland's prime minister, the first non-communist head of government in Eastern Europe since 1948. One by one the Eastern European dominoes followed.

As this is written, former Communist Party leader Gen. Wojciech Jaruzelski still serves as president. Solidarity Prime Minister Tadeusz Mazowiecki leads a Solidarity-dominated coalition government of 20 non-communists and four communists. Since the beginning of the year, the Polish Communist Party has voted to dissolve itself and form a new party in hope of gaining public support for the local elections, expected in April or May.

Next to go was Hungary. The turning point here was a Sept. 11 decision to allow thousands of East Germans to transit Hungary enroute to the West. That abrogation of a bilateral treaty with East Germany was soon followed by a Hungarian Socialist Workers Party agreement (Sept. 19) with opposition parties to create a multi-party system next year; the HSWP's renunciation of Leninism (Oct. 7); the proclamation of Hungary as a free republic (Oct. 23); and the scheduling of elections (on March 25, 1990) to replace the newly named Socialist Party's caretaker government.

A combination of mass demonstrations against the despised police and years of depressing consumer shortages, helped create the power vacuum that marked the downfall of East Germany's communist regime. Erich Honecker was replaced by Gregor Gysi (December) who, with reform communist Prime Minister Hans Modrow, scheduled to lead a 17-communist/11-non-communist government until scheduled May 6 elections.

A palace coup on Nov. 10 toppled Bulgaria's hard-line communist leader, Todor Zhikov, after 35 years of despotic rule. His replacement was reformist Petar Mladenov, for 19 years Bulgaria's foreign minister. Multi-party elections have

EASTERN EUROPE



been called for June. In the meantime, the government will continue in the hands of the Communist Party.

In Czechoslovakia, about 3,000 students, demonstrating for free elections, were beaten and kicked by riot police on the night of Nov. 17. Two days later, more than 18,000 rallied in Prague. On Nov. 20, more than 200,000 demonstrated in Prague and other cities, demanding free elections and resignations of Communist Party General Secretary Milas Jakes and other hard-line communist leaders. Those goals were achieved in four days. Until the June election takes place, dissident playwright Vaclav Havel will serve as president and Communist Prime Minister Marian Calfa will head a 10-communist, 11-non-communist cabinet.

The last to fall was the Balkan dictator Nicolae Ceausescu, whose iron fist had ruled Romania for 24 years. Romania's revolution was the bloodiest of the six, with Ceausescu's secret police, the Securitate, firing into the huge crowds who flooded Bucharest's streets demanding freedom and the ousting of the dictator. The army sided with the people against the Securitate, but still it took five bloody days before the government capitulated and the hated Ceausescu was captured, tried, convicted and executed. Elections are slated for April. Until then, former Communist Central Committeeman Ion Iliescu is president. Petre Roman, as prime minister, heads the mostly Communist government.

Of all the European states entering 1989 in the communist column, only Albania retains a hard-line government and seems unaffected by the radical changes taking place.

With Soviet intervention in the affairs of Eastern Europe probably a thing of the past, 1990 is likely to bring more surprises, not all of them necessarily pleasant. The old order is clearly ending, but the true shape of the new order is yet to be determined. All Warsaw Pact countries have major economic problems. So far, only Poland and Hungary have taken the hard steps necessary to even begin to salvage their ailing economic systems. At home, Mikhail Gorbachev faces widespread nationalist challenges from the Baltic to the Caspian seas. The future of his reforms, if not his career, and peace in the Soviet Union, will likely depend on his ability to find solutions to these problems.

USSR

Population: 287,776,000.

Government: Communist dictatorship.

Head of Government: Mikhail Gorbachev

*GNP: \$1.9 - 2.5 trillion.

Per Capita Income: \$8,375.

Defense Expenditures: \$119.253 billion.

Armed Forces: Strategic Nuclear Forces—287,000 plus 123,500 assigned from Air Force and Navy (215,000 conscripts), 537,000 reserves; Army—1,596,000 (1,200,000 conscripts), 3,000,000 reserves; Air Defense Forces—502,000 (300,000 conscripts), 750,000 reserves; Navy—437,000 (260,000 conscripts), 540,000 reserves includes 15,500 strategic, 68,000 naval air, 17,000 naval infantry and 7,500 Coastal Artillery and Rocket Troops; Air Force—448,000 (310,000 conscripts), 775,000 reserves; Paramilitary—570,000. Forces Abroad: 22,700 excludes GDR 380,000, Poland 40,000, Czechoslovakia 70,000, Hungary 65,000.

Total Regular Armed Forces: 4,258,000 (2,700,000 conscripts), includes 998,000 Ministry of Defense staff, centrally controlled units, and civil (territorial) defense. Excludes some 490,000 railway and construction troops and 570,000 KGB and MVD.

*GNP: Gross National Product equals GDP plus net income from abroad.

Since March 1985, when he was named to succeed Konstantin Chernenko as the Soviet leader, Mikhail Gorbachev's every waking moment has been dedicated to the urgent task of reshaping the failing Soviet economy. As he saw and explained it, the best way to accomplish that objective would be to reduce the rigidity in the Soviet system.

It took a full year of shuffling and replacing Politburo members for Gorbachev to muster the influence that would allow passage of a Communist Party Congress resolution calling for revolutionary changes in the economy; another year to get Central Committee approval for multi-candidate local elections. For the next two-and-a-half years, changes came much more rapidly, culminating in the "revolution of '89" in Eastern Europe.

The pace of political change in Eastern Europe in 1989 was so breathtaking that the man who provided the spark for that change could do little more than watch as, one after another, the peoples of the region raised their voices in the cry for freedom.

This time, however, Soviet tanks did not rumble through European capitals when Poles, Hungarians, Czechs, Germans, Bulgarians and Romanians each took their turn at crumbling their respective parts of the Communist bloc. Had Gorbachev chosen to do otherwise, it would have meant the end of his grand plan to restructure the Soviet economy.

To the contrary, some Kremlin involvement can be detected in every change in 1988 and 1989. In the fall of 1988, Gorbachev visited Poland. Shortly after that, Jaruzelski proposed talks with Solidarity. Less than two weeks after Gorbachev visited East Germany, Egon Krenz replaced Erich

Honecker. Just a few days after stopping in Moscow on the way home from China, Bulgarian Foreign Minister Petar Mladenov overthrew Todor Zhivkov.

Throughout the year, Gorbachev faced a dangerous spillover from the Eastern European whirlwind. The Baltic Republics in particular stepped up their long-standing demands for independence and freedom of action. A major trouble spot was Lithuania which, with Estonia and Latvia, had been annexed by the Soviet Union in 1940 in a secret deal with Adolf Hitler. In late 1989, at the same time that Eastern European nations were renouncing the Communist Party's constitutional monopoly on power, the Lithuanian Communist Party declared its independence from Moscow's control. Gorbachev's hurry-up visit to Lithuania, aimed at slowing a burgeoning separatist movement, may have come too late. Similar sentiments have long been brewing in Estonia; and Latvia has now voted to eliminate the communist monopoly over their political system.

Throughout 1989 and into 1990, Gorbachev faced a number of other challenges to the integrity of the Soviet Union. In April, nationalist demonstrations in the southern republic of Georgia were broken up by troops using poison gas and shovels to pound the protesters into submission. The results: 19 dead, hundreds injured.

In the neighboring republic of Azerbaijan, 13,000 Armenians were forced to flee their homes when they were set upon by marauding bands of armed Azerbaijanis. After days of a territorial dispute that had its roots in the 8th century, Moscow dispatched thousands of troops to restore order in the capital of Baku. That move so infuriated the Azerbaijanis, that what had started as a blood feud quickly turned into a popular revolt against Soviet rule.

The dilemma posed by these challenges is real and major, and is one of the toughest political tests Gorbachev has faced. He needs all the political skill he can muster to restructure the Soviet Union into the confederation of free republics it has always claimed to be. The world has an interest in the outcome of his efforts.

Ethnic and nationalist flare-ups were not the only problems Gorbachev faced in 1989, and will face in the decade of the 1990s. The continuing poor state of the Soviet economy is of at least equal concern. *Glasnost* may be working, but *perestroika* clearly is not. The Soviet economy and standard of living have actually worsened under Gorbachev. It may be that things would have gotten even worse but for Gorbachev's measures. But the Soviet people are no more likely to consider subtle economic theory than anyone else. They see life getting harder and their standard of living declining. Gorbachev does not have an unlimited amount of time to turn the Soviet economy around. Real economic reform is almost certain to require the harsh, unpopular measures the Poles are taking. Gorbachev must feel the pressure to act soon, while he still has the political capital to ride out protests. (EDITOR'S NOTE: On Feb. 5, 1990, President Mikhail Gorbachev proposed, and the Soviet Congress approved, the revocation of Article 6 of the national constitution which assures the Communist Party's control of the government.)

Poland

Population: 38,105,000.

Government: Communists share power with Solidarity.

Head of Government: President Gen. Wojciech Jaruzelski (communist) and Prime Minister Tadeusz Mazowiecki (Solidarity).

GDP: \$63.91 billion.

Per Capita Income: \$1,930.

Defense Expenditures: \$1.68 billion.

Armed Forces: Army—217,000 (168,000 conscripts), 420,000 reserves; Navy—25,000 (6,000 conscripts), 10,000 reserves; Air Force—105,000 (30,000 conscripts), 75,000 reserves; Paramilitary—465,000.

Forces Abroad: 250.

Total Regular Armed Forces: 412,000 including internal defense troops (231,000 conscripts).

When the representatives of Poland's Communist government began talks with the outlawed Solidarity union in February, only 50 people showed up for a demonstration outside the site, a turnout said to reflect the bleak mood and lack of optimism among the Polish people. But eight weeks later, the representatives of Communist Party leader, Gen. Wojciech Jaruzelski, lost control of the negotiations, it triggered history's first democratic transfer of power away from a Communist Party.

In April, the government and Solidarity announced an agreement legalizing the union and calling for semi-open elections in June. A new 100-member upper chamber of the Polish parliament, to be called the Senate, was created. All its members would be freely elected. Sixty percent of the seats in the existing lower chamber, the Sejm, would be reserved for the communists.

The campaign was marked by "dirty tricks" charges against the Polish government and government charges of United States interference. It also saw the appearance of opposition newspapers, legalized in the April agreements. When voting was over in the first contested elections in 40 years, the communists had been soundly defeated. Solidarity and its allies had won all of the 161 seats it was allowed to contest in the Sejm and 99 of the 100 seats in the new Senate.

When the new Sejm met in July, the same month as President Bush's visit to Poland, Jaruzelski was elected president as per the April agreement. The Communist Party ran into trouble, however, in picking a prime minister. Their candidate was unable to form a government and unable to persuade one of their small-party allies to become prime minister.

Solidarity originally resisted communist attempts to bring them into the cabinet, assuming this to be a ploy wherein the union would have to share the blame for a likely economic crisis. Finally, at the end of August, Solidarity accepted an invitation to form a government itself. Thus, on August 25, 1989, Tadeusz Mazowiecki became the first non-communist prime minister in the Eastern Bloc since 1948. For the time being Solidarity leader Lech Walesa has chosen to remain outside of the government.

The Solidarity government has begun taking the politically risky steps necessary to reform Poland's crumbling economy. It has instituted a severe economic reform program in hopes of reducing inflation and reviving the economy. There is still a lot of public grumbling with such measures as allowing severe price increases, but the government still seems to be enjoying a honeymoon with the people. The Communist Party itself has recognized Solidarity's popularity. It has published an agenda for a late January 1990 Congress that follows the example of their Hungarian counterparts, dissolving the party and forming a new left-wing organization under a different name.

There are no quick and easy answers to Poland's economic problems. The Solidarity government seems to be taking the steps necessary to start on the road to recovery. Jaruzelski and the Communists appear to be cooperating, perhaps not wanting to be seen as obstructionists if Solidarity should lose popularity and the people should call for an alternative.

The German Democratic Republic (East Germany)

Population: 16,616,000.

Government: A caretaker government under prime minister.

Cabinet includes Communist and former allied parties.

Head of Government: Prime Minister Hans Modrow

GNP: \$97 - 187.5 billion.

Per Capita Income: \$10,000 (1987).

Defense Expenditures: \$12.01 billion.

Armed Forces: Army—120,000 (71,500 conscripts), 250,000 reserves; Navy—16,000 (6,000 conscripts), 21,000 reserves; Air Force—37,100 (15,000 conscripts), 52,500 reserves; Paramilitary—89,500.

Forces Abroad: 2,370.

Total Regular Armed Forces: 173,100 (92,500 conscripts).

Even before the wall came tumbling down, the question of the reunification of the two Germanys was being debated in capitals from Moscow to Washington. Former Secretary of State Henry Kissinger says it is inevitable; *Time* was told by East Berliners that they are worried by the prospect; thousands upon thousands of pro-democracy demonstrators in Leipzig's Karl Marx Platz roared a chant of "Germany, one Fatherland!"

Many months before the dramatic events of late 1989, there was heated debate over the future prospect of a reunited Germany, but no one anticipated that the subject would soon head the agenda for East-West debate. Early in 1989, a leading German Communist political theorist rejected the possibility of Soviet-style change in East Germany. Mikhail Gorbachev's primary motivation for political reforms in the Soviet Union was the need to rescue a failing economy. The East German economy was perceived—accurately—as the strongest in the Eastern Bloc, with the highest per capita income and standard of living. Since it was the envy of visitors from the other Warsaw Pact nations, why change?

The East Germans, however, did not compare their standard of living to that in the other communist states. They looked at West Germany, a task eased by some direct contact and by easy access to West German television and radio. It was little consolation to the East Germans that they were better off than

the Romanians when they could see how much better things were for their German cousins in a capitalist democracy.

But, the East German economy ran into problems in 1989, about the same time that the people were running out of patience with the strict, authoritarian regime of Erich Honecker. Honecker, though surprisingly supportive of many of Gorbachev's arms control proposals, was not inclined to any domestic liberalization. To make matters worse, he was aging and ailing and was slowly allowing a power vacuum to develop.

Then came an August picnic for a group of East Germans in Hungary. The Hungarians had already removed the fortifications on their border with Austria. A border gate was left open to celebrate European Unity Day and 661 East Germans got up and walked into Austria. Eventually 325,000 people would flee East Germany, out of a population of roughly 17,000,000.

Despite East German protests, and a treaty, the Hungarians made little effort to stop the flow of refugees—with Gorbachev's permission, it later turned out. Things did not improve with the shifting of the flow of refugees to Prague. A headline in an American newspaper about this time reported, in what turned out to be a masterpiece of irony, "Mass Exodus of Skilled, Educated Young Holds Potential for Deep Change in Europe."

In early October, Mikhail Gorbachev visited East Germany, to be greeted by huge, cheering crowds. A few days after Gorbachev's departure, 100,000 East Germans demonstrated for democracy in Leipzig. It was the largest unauthorized demonstration in East Germany since 1953. Two days later, Erich Honecker was replaced by Egon Krenz, described at the time as a hard-line protege of Honecker. It was later revealed that Krenz, in charge of domestic security, had persuaded Honecker to revoke an order to the police to use "all available force" against demonstrators. Krenz also claimed to have spread the word to security police commanders to disobey any order to fire on demonstrators that might be issued anyway.

Mass demonstrations occurred almost nightly, leading up to 500,000 people demonstrating in East Berlin on Nov. 4. In that week alone, 50,000 East Germans fled to the West through Czechoslovakia.

The morning of Nov. 9, the government announced that all travel restrictions would be eliminated and the borders opened. The crowds that evening were so great that a local border guard captain, unable to reach his superiors for instructions, ordered the gates in the Berlin Wall opened. 1989 was given its central image as the Berlin Wall, after 28 years as the most hated symbol of the cold war, became the gathering place for all of East and West Berlin. People began to chip pieces off the wall. That weekend, well over a million East Germans visited West Berlin.

Krenz, along with the entire Politburo and Central Committee, resigned on Dec. 3rd. The government was now led by Prime Minister Hans Modrow and the party by Gregor Gysi, a former lawyer for dissidents. By January 1990, press reports indicated that problems had developed in negotiations between opposition leaders.

The opposition charged the government and party with

using the powers of incumbency, including control of the media, to steal the election now set for May 6. They also charged the government with planning to revive the secret police.

While the future of East Germany has its uncertainties, it is highly unlikely things will ever return to the way they were before 1989. As a recent protest sign put it, if the people do not like what the government is doing they can leave. The Berlin Wall was as much a symbol as a real barrier. The symbol was broken when the gates were opened.

Czechoslovakia

Population: 15,624,000.

Government: Temporary coalition of the president, the leader of the chief opposition group and Prime Minister Marian Calfa, a former communist.

Head of Government: President Vaclav Havel

GNP: \$144.0 billion.

Per Capita Income: \$8,300.

Defense Expenditures: \$2.94 billion.

Armed Forces: Army—148,000 (100,000 conscripts), 270,000 reserves; Air Force—51,100 (18,000 conscripts), 45,000 reserves; Paramilitary—150,500.

Forces Abroad: 700.

Total Regular Armed Forces: 199,700 (188,000 conscripts).

In April 1989, Milos Jakes, leader of the Czechoslovakian Communist Party, was quoted as saying that he did not anticipate any present or future political role for Alexander Dubcek, the former General Secretary of the Party. Dubcek had tried to introduce what he called "socialism with a human face," a precursor of *glasnost* and *perestroika*, in 1968, but he was overthrown by a Soviet and Warsaw Pact invasion in August of that year. Ironically, only Ceausescu of Romania had refused to participate in the invasion.

After years of obscurity, Dubcek reappeared in public in 1988, criticizing the Czech government's record on human rights. Jakes thought it a safe prediction that Dubcek would never again have a political role in Prague.

Jakes now knows better. By the end of 1989 he had lost his job, to be replaced first by Karel Urbanek and then by Ladislav Adamec.

In August, Czech police had broken up a Prague demonstration on the 21st anniversary of the Soviet invasion, though with less brutality than had been used to break up a similar demonstration in 1988. In September and October, world attention was drawn to Prague when it replaced Hungary as the transit point for thousands of East German refugees fleeing to the West. November began with the Czech government cracking down on pro-democracy demonstrations and ended with the Communist Party and the government leadership on the way out.

Jakes was not the only Czech leader to get the message that Soviet military help would not be coming, that the Eastern European nations had to solve their own political problems. Hard-line President Gustav Husak, who played a key role in Dubcek's 1968 overthrow, was forced to resign in December. His last act had been to swear in a new cabinet dominated by

non-communists. At the end of December, Husak was succeeded by Vaclav Havel, who had been re-arrested for dissident activities as recently as August. Perhaps most symbolic of all, and most galling to the old line Czech leadership, Alexander Dubcek was elected chairman of the National Assembly. Havel and Dubcek will serve until a new government can be elected in free elections in the spring of 1990, but they are likely to remain active players in Czech politics for the foreseeable future.

Alone among Eastern European nations, Czechoslovakia has a democratic tradition. It has two leaders, Havel and Dubcek, of great popularity and pledged to work for democracy. The Czech people and leaders face hard work and some tough times, but the situation looks hopeful.

Hungary

Population: 10,590,000.

Government: Essentially Socialist, but four-man Presidium includes opposition members.

Head of Government: Prime Minister Miklos Nemeth

GDP: \$24.33 billion.

Per Capita Income: \$2,240.

Defense Expenditures: \$827.47 million.

Armed Forces: Army—68,000 (40,000 conscripts), 140,000 reserves; Air Force—23,000 (8,000 conscripts), 28,000 reserves; Paramilitary—76,000.

Forces Abroad: 190.

Total Regular Armed Forces: 91,000 (48,000 conscripts).

Change and reform in Hungary have come differently than in the rest of Eastern Europe. The reform process has been more gradual and better planned—and more peaceful—than in the other five Warsaw Pact states. The Communist party, forced by its dominant reform wing, has voluntarily taken the steps demanded by the opposition in the other countries—usually accompanied by mass demonstrations, and in the case of Romania, by violence and bloodshed.

Political demonstrations in Hungary were legalized in January 1989. An unscheduled February meeting of the Communist Party Central Committee legalized the foundation of independent political parties and agreed that the new Hungarian constitution would drop the guarantee of the Communist Party's political dominance. In October, it became the first ruling Communist Party to declare itself out of business, reforming as the New Socialist Party—basically, the reform wing of the old party.

Like the rest of its neighbors, Hungary is faced with major economic problems and requires major outside financial assistance. As the year ended, the new government was negotiating loans with the International Monetary Fund, the World Bank and the European Community. In December the National Assembly, despite dissolving itself as of March 1990 and making Prime Minister Miklos Nemeth a lame duck, accepted a tough austerity budget anticipating economic measures the IMF and others are likely to require.

The dominant figure in the Hungarian reform process has been long-time party functionary, Imre Pozsgay, now Minister for State without portfolio and the New Socialist Party's

candidate for president. He has played a role in Hungary similar to that of Mikhail Gorbachev in the Soviet Union, the catalyst for change. But Pozsgay has never dominated the leadership as does Gorbachev.

As 1989 began, Hungarians were becoming aware that their goulash communism was failing. Pozsgay had already declared that communism does not work, that the time had come to try something new. February headlines noted the shock in Hungary when it was publicly reported that nearly a fourth of the people lived in poverty.

The most significant steps, practically and symbolically, came in June and July. Imre Nagy, the leader of the unsuccessful 1956 Hungarian Revolution, who had been hanged as a traitor in 1958, was reburied in Budapest as a hero. Pozsgay and Prime Minister Miklos Nemeth attended the ceremony, despite an order from Communist Party Secretary Karoly Grosz that members of the government not attend. Eleven days later Grosz's leadership powers were substantially diluted by formation of a four-man Presidium that included Pozsgay, Nemeth and reform-minded economist Rezső Nyers.

Hungarians face very real economic and political problems in putting their self-proclaimed democracy into practice. The Assembly vote approving an austerity budget shows they have the will to make the hard political decisions needed to recover economically.

Romania

Population: 23,583,000.

Government: In transition, appointed by Ion Iliescu, head of the Council of National Salvation, pending elections.
GNP: \$65.20 billion.

Per Capita Income: \$5,450 (1985).

Defense Expenditures: \$797.48 million.

Armed Forces: Army—128,000 (95,000 conscripts), 178,000 reserves; Navy—9,000 (2,500 conscripts), 6,000 reserves; Air Force—34,000 (10,000 conscripts), 19,000 reserves; Paramilitary—290,000.

Total Regular Armed Forces: 171,000 (107,500 conscripts).

All of the really important events to occur in Romania in 1989 happened in the last two weeks in December. While hatred of the cruel dictatorship of Nicolae Ceausescu had been building for 24 years, it was not until he ordered security troops to fire into crowds of demonstrators that the people mustered the courage to cast off their chains.

Ceausescu's fall began the weekend of Dec. 15-17. On direct orders from the dictator, his security troops opened fire on demonstrators who were trying to show support for a dissident priest in the city of Timisoara. Soldiers who refused to fire on civilians were immediately shot by the Securitate, as were officers who refused to order their troops to open fire. The minister of defense was executed at Ceausescu's order for refusing to give orders to the army to fire on civilian demonstrators.

The following Thursday, Dec. 21, Ceausescu while trying to address a crowd in Bucharest, was shouted down by shouts of "Freedom!" and "Democracy!" When the flabbergasted Ceausescu retreated from the platform, the crowds took to the

streets, shouting "Down with Ceausescu!" That night, security troops again fired on a civilian crowd, but this time the crowd began to fight back. The army joined the fight, taking the side of the people against the hated secret police. Ceausescu and his wife, Elena, fled the next morning as a full-scale civil war broke out, pitting the Securitate against the army and the people.

On Saturday, Dec. 23, Gorbachev announced the fall of Ceausescu to the Soviet parliament in Moscow. The delegates applauded and cheered. The next day, reacting to Gorbachev's hint that the Warsaw Pact might intervene on the side of the democratic forces, U.S. Secretary of State James Baker practically invited intervention.

On Monday, Christmas Day, it was confirmed that Ceausescu and his wife had been captured and, after a secret military trial, were executed by firing squad. (So many soldiers volunteered for the assignment, that lots had to be drawn to pick the firing squad.)

The United States and the Soviet Union were the first countries to recognize Romania's new government, the National Salvation Front. The N.S.F. had taken over the reins of government on Dec. 22, promising to rule only until democratic elections could be held in April.

Reports in early 1990 indicated that the new government is running into criticism after only a few weeks in office. In the eyes of many Romanians, the N.S.F. contains too many communists and military men connected with the old Ceausescu regime. Nor did the N.S.F. garner much popular support when it announced that it would enter candidates in the upcoming elections. That prompted a new round of public protests, since the self-appointed government was already going back on its word.

Lacking the tradition of democracy found among many of their Eastern European neighbors, Romanians may find it more difficult than most to grapple with the sobering task of rebuilding their society.

Bulgaria

Population: 8,985,000.

Government: Communist Party control pending elections.
Head of Government: Petar Mladenov.

GNP: \$30.4 - 67.8 billion.

Per Capita Income: \$6,800.

Defense Expenditures: \$1.75 billion.

Armed Forces: Army—81,900 (70,000 conscripts), 420,000 reserves; Navy—8,800 (3,000 conscripts), 7,500 reserves; Air Force—26,800 (18,000 conscripts), 45,000 reserves; Paramilitary—172,500.

Total Regular Armed Forces: 117,500 (91,000 conscripts).

No Warsaw Pact nation was immune from change in 1989. This fact was brought home to Bulgaria the evening of Nov. 9, the same evening the Berlin Wall was tumbled. That is when Todor Zhivkov, at 78, the world's longest-serving communist leader, was removed as president and general Secretary of the Bulgarian Communist Party. Zhivkov had ruled Bulgaria in a gangster manner for 35 years. His departure was formally announced as a voluntary resignation

by his replacement, veteran Foreign Minister Petar T. Mladenov, 28 years younger than Zhivkov.

Mladenov and several allies in the Politburo had apparently decided last May that Zhivkov's thuggishness could no longer be tolerated. "Zhivkovism" had forced more than 300,000 ethnic Turks to flee Bulgaria, a migration that halted when Turkey had to reinstate visa requirements. The Bulgarian economy was severely damaged by the sudden departure of just under a third of its ethnic Turkish population. Mladenov was further angered by the severe damage to Bulgaria's international image since Bulgarian implication in the 1981 attempted assassination of Pope John Paul II. Zhivkov's brutal efforts to force ethnic Turks to adopt Slavic names just seemed to be the last straw.

Zhivkov's resignation was demanded at a Nov. 9 Politburo meeting and was formally given the next day. A week later, 10 Zhivkov supporters were removed from the Politburo membership and the Central Committee. Zhivkov left Bulgaria's nine million people the legacy of a \$10 billion foreign debt.

A second major surprise came in December. Addressing a meeting of the Communist Party Central Committee, Mladenov called for free elections by the end of May 1990 and proposed removal of the Communist Party's formal guarantee of power. The National Assembly approved the latter move in January 1990, making Bulgaria the sixth Pact nation to do so.

Bulgaria also called off the campaign to forcibly assimilate its ethnic Turks, though this move provoked demonstrations by Slavic Bulgarians.

Today, the government of Bulgaria remains in communist hands (by whatever name they choose) and elections are scheduled for June 1990. Meanwhile, the Bulgarian caretaker government is moving slowly on planned economic reforms.

Yugoslavia

Population: 23,571,000.

Government: Communist confederation.

Head of Government: Prime Minister Ante Markovic

GMP (Gross Material Product): \$75.90 billion.

Per Capita Income: \$2,480.

Defense Expenditures: \$4.41 billion.

Armed Forces: Army—138,000 (93,000 conscripts), 440,000 reserves; Navy—10,000 including marines and coast guard (4,400 conscripts), 43,000 reserves; Air Force—32,000 (4,000 conscripts), 27,000 reserves; Paramilitary—15,000 frontier guards.

Forces Abroad: 32.

Total Regular Armed Forces: 180,000 (101,400 conscripts).

It became clearer during 1989 how badly the Yugoslavian economy needed strong reform. It also became clear that the Yugoslavian political structure, a disparate confederation of six republics and two autonomous provinces, was a major handicap standing in the way of progress. Practical and ethnic differences among the republics exacerbate structural problems. Slovenia and Croatia, bordering on Austria and Hungary, have tended to be more reformist; Serbia, the largest republic, more doctrinaire socialist. Slovenia and Croatia are

also the most economically advanced. The Yugoslav presidency rotates among the provinces and republics, with major decisions requiring consensus that is seldom reached. For a communist government, Yugoslavia is in the ironic position of requiring more centralized political power and a more national and less provincial market system.

The prime minister, Ante Markovic, has attempted to ease Yugoslavia toward a more free-market economy. As of December 1989, inflation was running at 1,600 percent annually and was predicted to go as high as 11,000 percent next year if it remains unchecked. As the year closed, the government proposed a drastic reform program, similar in both speed and methods to that attempted in Poland. According to Markovic's proposals, the currency would become convertible and keyed to the West German mark; the banking system rebuilt; and the inflationary practice of printing money to meet public deficits would end. If the republics accede, the central government will get sufficient taxing powers to implement a clear macroeconomic policy. Wage restraints were called for, which provoked a protest strike in Serbia.

Some of the Yugoslavian republics are planning free, multi-party elections next year. This will help. However, as Markovic suggested in introducing his economic programs, the real source of Yugoslavia's problems lies in ethnic and regional tensions, mistrust and the lack of any real national identity. Or, as *The Economist* put it, "It is time to recognize that Yugoslavia is not so much a country, more a state of confusion." The Yugoslav Army, the one real national institution, is likely to stop a civil war. But no guarantees exist that Yugoslavia will continue as a single nation for many more years.

Albania

Population: 3,185,000.

Government: Communist.

Head of Government: President Ramiz Alia

GNP: \$4.03 billion.

Per Capita Income: \$900 (1985).

Defense Expenditures: \$196.36 million.

Armed Forces: Army—31,500 (20,000 conscripts), 150,000 reserves; Navy—2,000 (1,000 conscripts); Air Force—7,200 (1,400 conscripts); Paramilitary—12,000; Reserves—5,000 Air Force and Navy.

Total Regular Armed Forces: 40,700 (22,400 conscripts).

The first faint hint of change in the attitudes of the xenophobic Stalinists who rule Europe's most isolated country came back in 1987, when the leadership in Tirana, the capital, established diplomatic relations with Spain, West Germany and Canada. Since then, there has been scant evidence that this last bastion of Stalinism is about to go the way of the rest of Eastern Europe.

Little has changed in Albania since Enver Hoxha led his communist partisans to seize power during World War II. This may be the only nation in the world to simultaneously enjoy poor relations with the United States, the Soviet Union and China.

Only once in a great while is there any suggestion that

Albania may not remain impervious to change forever.

There were reports out of Albania in December of street demonstrations in the northern city of Shkodra, near the Yugoslavian border. This city of 75,000 people is the transit point for Albania's one rail link with the rest of the world, making it a particularly sensitive spot for the government. The protests, for better living conditions, were brutally repressed, with many of the demonstrators sent to hard-labor camps.

Then, in a New Year's 1990 speech, President Ramiz Alia called for improvements in the food supply and in industrial and consumer goods, an implied admission of shortages.

In the same speech, Alia declared that the changes in the rest of Eastern Europe would not affect Albania. The strict, hard-line Marxism-Leninism has served Albania well, Alia claimed, and therefore it would not be changed.

The anti-communist revolution of 1989 seems to have had little impact on Albania. That may be the case for some time to come—at least so long as the present Albanian leadership maintains its determination to resist change.

AFRICA — LITTLE RESPITE FROM CONTINUED TURMOIL

Too much remained the same in Africa in 1989. While some civil wars continued, there were few events of major consequence along the Mediterranean rim. Poverty and famine plagued much of the Saharan region. Overpopulation, especially in sub-Saharan Africa, remains a time bomb—a substantial handicap to any effort to improve the lot of the people. (NOTE: Egypt is discussed in the section on the Middle East.)

Many African governments, however, still seemed to want to make things as hard for themselves as possible. Zimbabwe is a particular example. A December convention of its only political party stressed the continued determination to make the country a one-party socialist state. President Mugabe of Zimbabwe seems to have learned little from close involvement with the war and peace efforts in Mozambique, also a one-party socialist state. Mozambique, one of the poorest nations in Africa, seems desperate to stop being what Mugabe wants Zimbabwe to become.

There are signs of hope, however, in other parts of Africa. Some governments have started to reform their national economies and adjust their political structures. These government leaders seem willing to make the hard decisions to improve economic conditions, and take the politically risky steps of reducing overburdening bureaucracies and cutting social spending.

In 1989, Africa benefitted from Soviet efforts to improve relations with the West in general and with the United States in particular. The Soviets appeared willing to aid in settling some regional conflicts and played a key role in the agreements giving Namibia independence and in the withdrawal of South African and Cuban troops from Angola.

Even South Africa, under its new President, F. W. de Klerk, seems interested in better relations with its neighbors by working towards cooperation rather than confrontation. South

African troops left Angola in 1988, and have withdrawn from Namibia. South Africa is making efforts to improve relations with the government of Mozambique and has played a part in trying to reach an internal settlement in Angola. While de Klerk seems to want some liberalization at home, it also appears that he does not really want to end apartheid—merely make it more efficient.

But de Klerk may not be able to balance the resistance of South African conservatives with the demands of the black majority. Hopes raised and dashed can be particularly dangerous.

There are definite signs of hope in Africa, but the dangers are still very real.

Morocco

Population: 24,039,000.

Government: Constitutional monarchy.

Head of Government: King Hassan II

GDP: \$18.88 billion.

Per Capita Income: \$610.

Defense Expenditures: \$1.216 billion.

Armed Forces: Army—170,000; Navy—6,500 including naval infantry; Air Force—16,000; Paramilitary—35,000; Reserves—100,000 (all services).

Forces Abroad: 360.

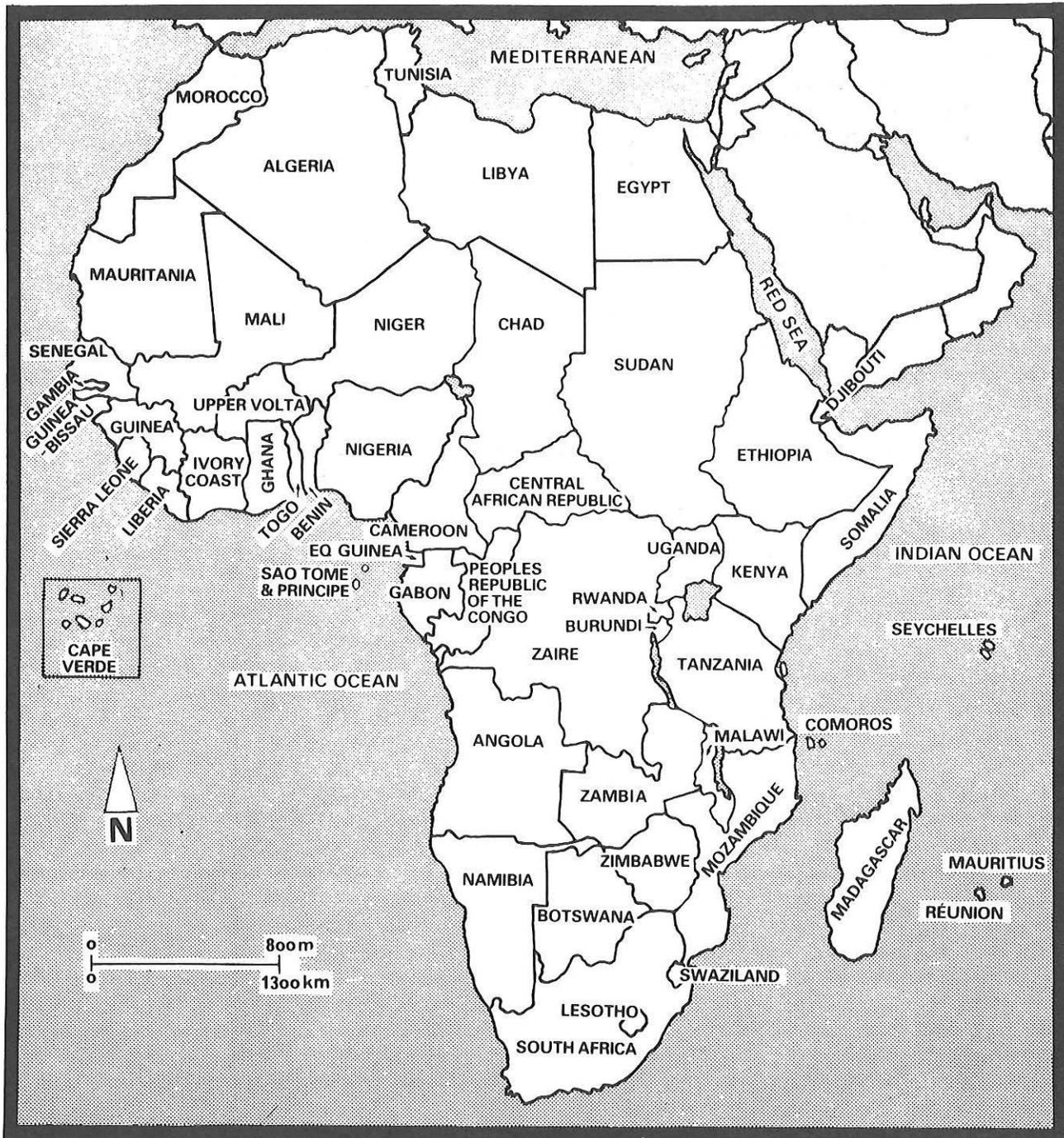
Total Regular Armed Forces: 192,500.

Hopes for a settlement of Morocco's 13-year guerrilla war over control of the Western Sahara looked promising in early 1989. In January, King Hassan II held the first direct talks with leaders of the Polisario Front, the movement fighting for an independent state in the Western Sahara. Hassan had refused to meet with the movement's leaders in the past, calling them mercenaries in apparent reference to their Algerian support. As a diplomatic face-saver, the King characterized the meetings held in Marrakesh as discussions.

In February, however, King Hassan postponed indefinitely a second meeting. By March, the Polisario rebels announced that fighting would resume. There have been four major clashes since October. Hassan has announced he will not meet again with the movement's leaders.

In a second major development on Feb. 17, 1989, Morocco, Algeria, Libya, Tunisia and Mauritania announced the formation of a common market for the region to be called the Arab Maghreb Union. Several leadership committees were announced to run economic and other aspects of the union. The major goal of the Union is to boost trade among the nations of the region. But some problems are possible from trying to combine the state-run economies of Libya and Algeria, the military government in Mauritania and the free-market economies of Tunisia and Morocco. The Union is patterned on the European Community, and was reportedly aimed at allowing the five countries to better deal with the planned 1992 unified European market.

AFRICA



Algeria

Population: 24,550,000.
 Government: Republic
 Head of Government: President Chadli Bendjedid
 GDP: \$54.10 billion.
 Per Capita Income: \$2,680.
 Defense Expenditures: \$949.5 million
 Armed Forces: Army—120,000 (70,000 conscripts),
 150,000 reserves; Navy—6,500; Air Force—12,000;
 Paramilitary—23,000.
 Forces Abroad: 360.
 Total Regular Armed Forces: 138,500.

Significant developments in Algeria during 1989 focused on both domestic and foreign fronts.

To help boost a sagging economy, Algeria joined Morocco, Libya, Tunisia and Mauritania in forming the Arab Maghreb Union, a common market and trade arrangement for the North African region. Algerian President Chadli Bendjedid has been making a genuine effort to undertake political reform, including a gradual shift to a free-market economy.

Also, in February, Algerian voters approved a new constitution, significant in that it dropped all references to socialism and provides for a multi-party system. The new constitution was the latest step in a reform process initiated by

Bendjedid following October 1988 riots against his severe economic austerity measures. These demonstrations erupted into a near-revolt over charges of corruption and mismanagement on the part of the National Liberation Front, which has ruled Algeria since independence in 1962.

In early September, Bendjedid fired his premier over delays in implementing the major political and economic reforms. However, the reform effort suffered a major setback at a party congress in late fall when Bendjedid lost effective control of his party's central committee. The clear message is that though Algeria would not go backwards in reforms, further progress towards a free-market democracy was, at least for the time being, to stop.

In September's meeting of the members of OPEC—the Organization of Petroleum Exporting Countries—Algeria joined Libya in opposing increased production quotas, resulting in no action being taken by OPEC. 1989 also saw Algeria engaged in an effort to seek peace in Lebanon by serving on an Arab League committee with Saudi Arabia and Morocco. In an effort reminiscent of the successful Algerian mediation in the 1979-1981 Iran hostage crisis, Algeria also intervened to try to obtain the release of American hostages in Lebanon. Unfortunately, attempts at mediation in Lebanon in 1989 failed.

Libya

Population: 4,390,000.

Government: Islamic arabic socialist.

Head of Government: Col. Muammar el-Qaddafi

GDP: \$21.04 billion.

Per Capita Income: \$5,460.

Defense Expenditures: \$1.420 billion.

Armed Forces: Army—55,000; Navy—8,000; Air Force—22,000; Paramilitary—2,500; Reserves—40,000 people's militia.

Total Regular Armed Forces: 85,000.

On Jan. 4, two U.S. Navy F-14 fighters shot down two Libyan MiG-23 fighters over international waters. The U.S. government stated that the Navy jets fired in self-defense. Libyan leader Muammar el-Qaddafi claimed the American attack was unprovoked.

The incident came at a time of high tension between the two countries. The possibility had been raised of Libyan involvement in the December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland. The United States also accused Libya of building a chemical weapons plant, with the aid of West German companies, and hinted at possible military action against the plant.

The suspected Libyan chemical weapons plant, which Libya claims will make pharmaceuticals, continued as a source of tension between the United States and West Germany, as well as between Libya and the United States. The Bonn government began the year by denying that West German firms had assisted in building the plant, but soon admitted that American charges might be true.

On Feb. 17, Libya, Morocco, Algeria, Tunisia and Mauritania announced the formation of a common market for

the region, to be called the Arab Maghreb Union. The major goal of the Union, patterned after the European Community, is to boost trade within the region and to allow its members to better compete with the planned 1992 unified European market.

For whatever reason, Qaddafi seemed to calm down somewhat in 1989. On July 20, for example, he even met and shook hands with the President of Chad, with whom he had been at war off and on for more than a decade. The truce with Chad was formalized in 1988. However, the July 20 meeting did not lead to further progress at settling a continuing border dispute between the two countries.

At least twice during 1989 Qaddafi admitted to having sponsored terrorism in the past, but claims to have stopped once he saw that terrorism was hurting the Arab cause.

In September, Qaddafi celebrated his 20th anniversary in power with a speech that stands in strong contrast to his somewhat conciliatory behavior during the year. In it he called for a world revolution, rule by the masses, and the destruction of Israel, and vowed that Libya is able and willing to support those aims.

The new year may see whether the September speech is more rhetoric, or whether Qaddafi's seeming moderate behavior is just a tactical maneuver—a breathing spell until he returns to his bad old ways. Perhaps when the chemical plant is finished?

Nigeria

Population: 112,258,000.

Government: Military.

Head of Government: President Gen. Ibrahim Babangida

GDP: \$30.56 billion.

Per Capita Income: \$370.

Defense Expenditures: \$167.16 million.

Armed Forces: Army—80,000; Navy—5,000; Air Force—9,500; Paramilitary—12,000.

Total Regular Armed Forces: 94,500.

Like a number of African nations, Nigeria has become too dependent on one export product—oil. Though it comprises only about one-fifth of Nigeria's gross domestic product, oil accounts for 93 percent of all foreign earnings. The drastic drop in oil prices in the 1980s made it even harder for Nigeria to earn the foreign currency needed to pay off a \$21 billion foreign debt.

The military government of Nigeria continued in 1989 to undertake an extensive program of economic restructuring, at least partially demanded by the International Monetary Fund. Their aim is to cut dependence on oil and create a sustainable, non-inflationary growth economy. This includes heavy cuts in social spending. The economic reforms, which include easing limits on foreign investment, are also designed to attract foreign economic assistance. The reforms seem to be working in those respects, but at the high cost of deteriorating living conditions for the Nigerian people.

Riots broke out in Benin City, Lagos and Port Harcourt in May in opposition to the austerity measures. Unofficial sources put the death toll at over 100 people. In response, the Nigerian government initially declared its intention to stand

firm on economic reforms but later announced steps to ease the impact of the austerity program—actions worrisome to Western bankers.

Nigeria's planned return to democracy hit a snag in 1989. In the spring the military ruler, Gen. Ibrahim Babangida, called for new political parties and candidates to compete in elections scheduled for 1992. But, in December, Babangida announced that none of the six proposed parties were acceptable, that they were just old leaders and organizations in different packaging, often organized along potentially divisive tribal and ethnic lines. To fill the gap, the military itself proceeded to form two national political parties for the people to join. At the same time, Babangida postponed local elections from December until the end of 1990.

In light of the sweeping changes taking place in Eastern Europe and the Soviet Union, the potential for unrest in Africa's most populous nation increases daily. Nigerians are growing impatient with a stagnant, centrally controlled economy, a restrictive political system and the corruption of old-breed bosses who still control the political parties of Nigeria.

Sudan

Population: 24,278,000.

Government: Republic.

Head of Government: Lt. Gen. Umar Hasan Ahmad al Bashir

GDP: \$31.57 billion.

Per Capita Income: \$330.

Defense Expenditures: \$478.2 million.

Armed Forces: Army—65,000; Navy—1,800; Air Force—6,000; Paramilitary—3,000.

Total Regular Armed Forces: 72,800.

Sudan underwent another military coup in June, the third in 33 years since becoming independent. The government of Prime Minister Sadiq al-Mahdi, overthrown in the coup, had been elected in 1986 after the return to civilian rule from a 1985 coup. Mahdi had been severely criticized for lack of leadership in the face of the twin ravages of civil war and famine.

The civil war, pitting the Christian and Animist south against the Moslem-controlled government, had been underway since 1983. Mahdi had been criticized for failing to deal with the issues behind the war, including the imposition of Islamic law. Both sides have been accused of using food as a weapon in the war, cutting off relief shipments to starving civilians. The famine was initially caused by drought and a plague of locusts, natural disasters, but has been substantially worsened by intentional policy.

The new government, headed by Brigadier Umar Hasan Ahmad Bashir—who immediately promoted himself to Lieutenant General—pledged to seek an end to the civil war in the south. Measures designed to achieve a settlement were to include putting the question of Islamic law to a referendum.

By the end of the year, the government was disappointing initial hopes. A reign of terror seemed to have taken hold in Khartoum, Sudan's capital, including hanging a merchant for

possessing a small amount of illegal foreign currency. The government had the country under a state of emergency, and was putting Islamic law into place. Peace talks held in Kenya in December, under the auspices of former U.S. President Jimmy Carter, broke down. As the year ended, the civil war was back on and food deliveries to the South were uncertain.

Ethiopia

Population: 47,944,000.

Government: Unitary single-party People's Republic.

Head of Government: Chairman Mengistu Haile Mariam

GDP: \$5.38 billion.

Per Capita Income: \$130.

Defense Expenditures: \$471.59 million.

Armed Forces: Army—313,000 including 150,000

People's Militia; Navy—1,800; Air Force—4,000;

Paramilitary—169,000.

Total Regular Armed Forces: 318,800.

1989 saw little change in the poverty-sticken life of the average Ethiopian. The country again suffered drought, though the resultant starvation has not yet reached the horrifying levels of 1984. The civil war still disrupts agriculture, both directly and through use of food deliveries as a political weapon. Socialist economic policies have proven so destructive that even the incredible Ethiopian government has slightly eased up.

Ethiopia remains generally hostile to the West, though the government of Mengistu Haile Mariam extended unprecedented cooperation in the August search for Congressman Mickey Leland and 15 others, missing on a flight to a refugee camp near the border with Sudan. The plane was found to have crashed with no survivors. Leland, with some congressional aides, had been visiting Ethiopia in his capacity as chairman of the House Select Committee on Hunger.

A serious threat to Mengistu's power arose in May, about the same time as the Chinese student demonstrations in Beijing. A group of ranking generals made a serious attempt to seize power less than one hour after Mengistu left on a weapons-buying trip to East Germany. The coup was defeated, in three days, by forces loyal to the government. Mengistu immediately undertook a purge of the army leadership, replacing the high command, mostly with political cronies of no recent military experience.

The purge of the experienced military leadership likely contributed to worsening the government's position in the continuing civil war. Government forces reportedly suffered a series of sharp battlefield defeats at the hands of rebel forces of the Tigre People's Liberation Front (TPLF). The worsening military situation probably accounted for Mengistu's offer of unconditional peace talks with the TPLF and their allies, the Eritrean People's Liberation Front (EPLF). The latter agreed to talks, which began late in the fall. They had already met with the government in talks arranged by former U.S. President Jimmy Carter in Atlanta, Georgia.

One sign of hope for the 1990s is that Moscow has pulled back its military advisors from the war front and told the

Ethiopian government that its military aid pact will not be renewed next year. Unfortunately, though, the best that can be said with confidence about Ethiopia is that a new government would be hard-pressed to make things worse.

Kenya

Population: 23,389,000.
Government: Republic.
Head of State: President Daniel arap Moi
GDP: \$8.44 billion.
Per Capita Income: \$330.
Defense Expenditures: Not available.
Armed Forces: Army—19,000; Navy—1,100; Air Force—3,500; Paramilitary—4,000.
Forces Abroad: 899.
Total Regular Armed Forces: 23,600.

For some time Kenya has had the highest annual rate of population increase in the world, estimated by the World Bank at 4.1 percent. (The rate in the United States is 0.7 percent.) The Kenyan economy, though it has problems, is one of the strongest in Africa. But the rate of population increase, usually surpassing or equal to the growth in the economy, is seen as a potential danger to the general well-being of the country. Similar conclusions were reached for all of sub-Saharan Africa in a November 1989 World Bank report which called for a concerted reduction in the area's rate of population increase.

The Kenyan government of President Daniel T. arap Moi seems to recognize the problem and has encouraged family planning efforts. There is also a growing recognition among Kenyans that more children do not always bring more prosperity. These trends were reflected in a September 1989 survey, which found that over the past five years, the average number of children per woman of childbearing years in Kenya decreased from 7.7 to 6.7.

Kenya had some problems in 1989 with its important tourist industry, now the nation's largest source of foreign currency. In the fall, several tourists were killed by poachers and bandits in and near national parks. In August, George Adamson, the conservationist and husband of the author of BORN FREE, was shot and killed by bandits. In response, President Moi ordered a shoot-to-kill policy against poachers. Kenya has also been strongly supportive of a world-wide ban on the ivory trade, designed to substantially decrease the market for a key poaching target. As the year ended, these policies seemed to be having some effect, but the poaching, and the danger to the tourist industry, is likely to remain in 1990.

Uganda

Population: 17,396,000.
Government: Military.
Head of Government: President Yoweri Museveni
GDP: \$2.3 billion.
Per Capita Income: \$260.
Defense Expenditures: \$40.68 million.
Total Regular Armed Forces: 70,000.

Life in Uganda in 1989 continued the long path to full recovery from years of violent misrule. Despite improvement, the country has a long way to go to reach even the level of 1962, when Uganda first achieved independence. The price of coffee, Uganda's primary source of foreign currency, is substantially down on the world market. Uganda's damaged medical care system is finding it almost impossible to check the spread of traditional diseases such as tuberculosis and measles, let alone AIDS. Despite a growth rate of 7.5 percent in 1988, the Uganda gross domestic product is only 60 percent of that of 1972. The government of Yoweri Museveni, in power since 1986, still has substantial obstacles to overcome.

But the Government has made a good start, particularly in improving the sense and the reality of internal security. The people have been given hope of improvement and can now walk the streets without fear. Investors and lenders are finding the political and economic climate in Uganda more amenable for development than at any time since the savage Idi Amin seized power in 1971.

Museveni's efforts toward even-handed leadership were illustrated following an incident on July 12th wherein the Ugandan army arrested 200 suspected rebels in eastern Uganda. The suspects were locked in a railroad car for 18 hours and 69 of them suffocated. Those who survived were subsequently found to be innocent.

In a remarkable turnaround from past Ugandan practice, the army arrested the 14 officers commanding the roundup and announced they would be tried for murder—with the death penalty possible, if convicted. President Museveni attended a mass funeral for the victims and announced that the government would provide compensation for their survivors and free schooling for their orphans. Museveni seems determined not to abuse his authority and not to tolerate abuse of authority by others. For Uganda, this is a tremendous improvement over decades of bloody government oppression, tribal warfare and civil strife.

Zaire

Population: 32,922,000.
Government: Republic with strong presidential authority.
Head of Government: President Mobutu Sese Seko.
GDP: \$3.18 billion.
Per Capita Income: \$150.
Defense Expenditures: \$46.56 million.
Armed Forces: Army—22,000; Navy—1,500 including 600 marines; Air Force—2,500; Paramilitary—50,000.
Total Regular Armed Forces: 51,000 (including 25,000 gendarmeries)

Zaire was back in the news in 1989. Stories ranged from the semi-comical—an unwanted visit of former Ugandan dictator Idi Amin—to the serious efforts of Zairean President Mobutu Sese Seko to broker peace in neighboring Angola. A truce between the Soviet- and Cuban-backed Angolan government and the anti-communist UNITA (National Union for the Total Independence of Angola) rebels, was agreed to in June but started unraveling in August. 1989 saw Zaire in a financial dispute with Belgium, its former colonial power,

over state debt and Mobutu's personal holdings. In October, Zaire was elected to a two-year term as a non-permanent member of the United Nations Security Council.

On June 22nd, President Mobutu hosted a meeting of 18 African heads of state in Gbadolite, Zaire, that presaged the cease-fire in Angola. This was the first time Angolan President Jose Eduardo dos Santos and UNITA leader Jonas Savimbi had formally met in face-to-face talks. Zaire has long been concerned about events in Angola, its southern neighbor, and a possible spillover of the civil war. The U.S. government had been sending covert aid to UNITA—through Zaire—since the December 1988 agreements which cut off both South African aid and the use of Namibia for transit of supplies.

By August, the truce began to break down. South African President F. W. de Klerk met with Mobutu in Zaire on August 25th to discuss the deteriorating situation. Two days later Savimbi flew to Pretoria and quickly agreed to a revival of the truce. Mobutu had cut off the flow of supplies to UNITA as a means of pressuring Savimbi into continuing the truce.

President Bush met Mobutu in Washington in October, their second meeting of 1989. Bush pressed for a renewal of aid shipments through Zaire to UNITA and urged Mobutu to continue to work for peace.

On the domestic economic front, by the end of the year signs of recovery were seen in the battered Zairean economy. The government has started to take serious steps to correct major problems caused by the decline in copper prices, the neglect of agriculture and widespread corruption. By enforcing tough economic reforms, including cutting social spending and trimming the bloated bureaucracy, Mobutu had gained the confidence of IMF bankers which allowed Kinshasa a new \$253 million credit agreement. Zaire's economic performance in 1989 was impressive. The next step will be to translate that into improved living conditions for Zaire's 33 million inhabitants.

Angola

Population: 9,560,000.

Government: Marxist people's republic.

Head of State: President Jose Eduardo dos Santos.

GDP: \$4.70 billion.

Per Capita Income: \$600.

Defense Expenditures: \$819 million.

Armed Forces: Army—91,500 (24,000 conscripts); Navy—1,500; Air Force—7,000; Paramilitary—7,000; Reserves—50,000; Forces Abroad: 500.

Total Regular Armed Forces: 100,000 includes 10,000 guerrilla force (24,000 conscripts).

Angola progressed toward peace in 1989 to the extent that it was linked to events in neighboring Namibia. At the end of 1989, Namibia seemed well on the way to long-sought independence. As specified in December 1988 agreements, the South Africans have withdrawn from Angola and are leaving Namibia. The Cubans are leaving Angola. However, elements of the internal Angolan conflict remain.

Though peace talks were conducted during 1989, the Soviet- and Cuban-supported Angolan MPLA (Popular

Movement for the Liberation of Angola) under President Jose Eduardo dos Santos, remained in conflict with Jonas Savimbi's anti-communist UNITA (National Union for the Total Independence of Angola) resistance movement. Aside from some peripheral involvement in an April incursion into Namibia, the main activity in Angola in 1989 was the internal civil war and attempts at its settlement. It has been a long and difficult war that started with the MPLA fighting Portugal in 1961. In 1975, when the MPLA, aided by Cuban troops, seized control of newly independent Angola, Jonas Savimbi led UNITA into the jungle from where his forces have conducted a civil war for 14 years.

In March 1989, Savimbi proposed reconciliation talks between UNITA and the Angolan government. Savimbi offered to stand aside from participation in a transitional government if he could run for president in free elections to be held within two years. He hoped his proposal would increase pressure on the Angolan government for a settlement. As an additional incentive, Savimbi also offered to have UNITA refrain from offensive military operations until July 15. Apparently Savimbi was trying to take advantage of the general climate of cooperation in southern Africa to finally reach a settlement and end 14 years of bloodshed.

UNITA and the MPLA finally agreed to a truce on June 22 after Savimbi met personally with dos Santos in sessions arranged by President Mobutu Seso Seko of Zaire. The meetings helped to transform Savimbi's image in much of the world. Formerly branded by his opponents as a terrorist tool of South Africa and the CIA, Savimbi was now seen by much of the world as a legitimate African nationalist leader, dealing on an equal basis with neighboring heads of state.

Dos Santos felt the pressure of other African leaders to seek accommodation with Savimbi and put an end to the destructive Angolan civil war. Because a settlement with UNITA could open diplomatic relations with—and foreign aid from—the United States, dos Santos saw possibilities of rebuilding the devastated Angolan economy. Finally, the Soviets tired of wasting money in an inconclusive war and pressured the Angolan President to seek peace.

Unfortunately the truce did not last, though fighting has not yet returned to past levels. At White House meetings in October 1989, President Bush urged Savimbi and Mobutu to do what they could to restore the truce.

The Angolan government, having set a precedent by direct negotiations with UNITA and Savimbi, has raised some hope for an early settlement in Angola.

Zambia

Population: 7,396,000.

Government: Republic.

Head of Government: President Kenneth David Kaunda

GDP: \$2.61 billion.

Per Capita Income: \$250.

Defense Expenditures: \$126.8 million.

Armed Forces: Army—15,000; Air Force—1,200;

Paramilitary—1,200.

Total Regular Armed Forces: 16,200.

Zambian President Kenneth Kaunda continued to play an active role in regional southern African affairs during 1989. Kaunda has maintained friendly relations with the West despite formal non-aligned status and his acceptance of military aid from the Eastern bloc. Kaunda plays an active role in affairs of the "front line states" bordering on South Africa and in SADCC (South African Development Coordination Conference). The latter organization is designed to reduce economic dependence on South Africa and promote regional economic cooperation.

Kaunda's efforts to promote dialogue among the southern African nations was publicly praised by Pope John Paul II, during a visit to Zambia and several other African nations in late April and early May. Kaunda also headed a meeting of the Organization of African Unity's special committee on Angola, held August 22-24 in Harara, Zimbabwe, in an unsuccessful effort to preserve the cease-fire in Angola.

Despite his anti-apartheid credentials, Kaunda has been willing to meet with South African leadership, including P.W. Botha and his predecessor, John Vorster. The most recent meeting, and the first to be held in Zambia, occurred on August 28th. F. W. de Klerk, then Acting President of South Africa, and Foreign Minister Pik Botha, met with Kaunda to discuss the South African internal situation and the civil war in Angola.

Things, however, did not go well domestically for Zambia or Kaunda in 1989. Independent since 1964, Zambia has operated as a one-party socialist-oriented state under the United National Independence Party (UNIP) since 1973. Kaunda has been president since independence and for the first ten years he relied heavily on the high price of copper to spend heavily on government services and related construction.

The mid-1970s saw a considerable drop in the price of copper, Zambia's primary source of foreign earnings, which heavily damaged the Zambian economy. Yet the government refused to take the political risks of a substantial decrease in social spending or other needed economic reforms. Zambia even broke with the International Monetary Fund in 1987 over the IMF's demand for strict economic reforms and spending cuts. Even now, Kaunda remains reluctant to impose the necessary harsh measures needed to bolster a failing economy.

In addition to spending cuts and other economic reforms, Zambia needs to decrease its dependence on copper. With its ideal climate and abundant water supply, Zambia has the potential to become the largest agricultural producer on the African continent. Unfortunately, the government seems to lack the imagination and the will to make this possible. Meanwhile, the dichotomy between Zambia's successful foreign policy and its failed domestic policy will continue.

Zimbabwe

Population: 9,528,000.

Government: One party socialist state.

Head of Government: President Robert G. Mugabe

GDP: \$5.83 billion.

Per Capita Income: \$580.

Defense Expenditures: \$396.84 million.

Armed Forces: Army—47,000; Air Force—2,500;
Paramilitary—38,000.

Forces Abroad: 3,000 - 8,000 (Mozambique).

Total Regular Armed Forces: 49,500.

In 1989 cracks appeared in Zimbabwe's image and in that of its President, Robert Mugabe. Economic problems stemming from the government's adherence to Marxism, and political problems caused by Mugabe's dream of leading a one-party socialist state, are real and evident.

Mugabe's political foibles contributed to the formation of a new political party, announced on May 1, to challenge him in the 1990 general election. Much of the support for the new party springs from discontent with government corruption and high living on the part of Mugabe's cronies. Its formation has been credited with increasing political tensions in Zimbabwe.

The slow pace of the Zimbabwean economy has been insufficient to make much of a dent in unemployment, now estimated at about 20 percent. Nor is the high 3.8 percent population growth rate making things easier. The jobless rate seems likely to worsen as products of Zimbabwe's successful educational system feed into an overburdened job market.

Zimbabwe's economy is in need of foreign capital, but insufficient effort seems under way to attract it. Exporters who do earn needed foreign currency complain about the lack of government encouragement. However, the government has recently put into place a foreign investment code designed to attract foreign investors. Also, as of late December Zimbabwe was negotiating with the Overseas Private Investment Corporation to arrange a program of private American investment. The agricultural sector of the economy produces 40 percent of the nation's exports, making it a major earner of foreign exchange. Zimbabwe is one of the few African nations not only self-sufficient in food but able to export.

The Lancaster House Agreements, under which Zimbabwe became independent under black majority rule, provided a ten-year moratorium on large scale land redistribution. The ten-year hiatus expires in April 1990. At the time Zimbabwe became independent, Mugabe promised to resettle 162,000 farmers from poor communal land to individual plots. He has been able to keep his promise to only about a third.

The spring of 1989 saw major political fallout when several high government officials were charged with obtaining new automobiles from a state-owned assembly plant and selling them at high profits on the black market. Six officials resigned, including the Minister of Defense and the Senior Minister for Political Affairs. Though initially slow at appointing a commission of inquiry, Mugabe was eventually praised for his handling of the affair.

Mozambique

Population: 15,375,000.

Government: Socialist one-party state.

Head of Government: President Joaquim Chissano.

GDP: \$2.75 billion.

Per Capita Income: \$170.

Defense Expenditures: \$115.74 million.

Armed Forces: Army—60,000 (75% conscript); Navy—750; Air Force—4,250; Paramilitary—100,000 People's and Local Militias.

Total Regular Armed Forces: 71,000 (includes 6,000 border guards; 10,500 conscripts).

Despite some grounds for cautious optimism, little has changed in Mozambique since the beginning of 1989. In general, conditions were as grim at the end of the year as at the beginning. The FRELIMO (Front for the Liberation of Mozambique) government remains at war with RENAMO (Mozambiquan National Resistance) rebel movement. And, while conditions have barely improved for the people, Zimbabwean and Kenyan mediators, acting as go-betweens for the government and the rebels, are pressing both sides to pursue face-to-face negotiations. The government seems to be making efforts to change its down-the-line Marxist policies, and South Africa has officially distanced itself from official aid to RENAMO.

The most promising development came at the end of the year, with a December 15 visit to Mozambique's capital of Maputo by South African President F. W. de Klerk.

The Soviets, who have long aided FRELIMO, have announced their intention to remove their military advisors, variously estimated at between 700 and 1,500, by the end of 1990. Indications are that a partial withdrawal has already begun. Moscow has stated that, while some economic and military aid will continue, it will be at a reduced level. Diplomatic sources see Soviet retrenchment in Mozambique—as with Angola—as a reflection of the Soviet need to cut back on expensive overseas commitments and a desire to ease regional tensions with the West.

Near the end of July, the Mozambiquan government took a significant step towards reform—and obtaining western economic assistance—by deleting from its official platform all references to Marxism-Leninism and discarding from its official lexicon traditional communist phrases as “class struggle” and “world imperialist front.” At FRELIMO's fifth party congress, the government reaffirmed socialist principles but pledged to seek a socialism more in tune with Mozambique's needs. FRELIMO's efforts are designed to adjust to local economic realities, to meet World Bank and International Monetary Fund guidelines, and to increase the chances of aid from the West in general and the United States in particular.

As 1989 ended the Bush Administration was considering dropping Mozambique from a list of nations officially designated as Marxist-Leninist and prohibited from receiving certain types of economic assistance. Such a move by the U.S. government would allow Mozambique to qualify for loans

from the Export-Import Bank and would permit private U.S. firms to invest in that nation. It would not, however, allow the government to receive American military aid, which is covered by a separate congressional ban. Even so, by convincing his ruling party to ease away from a strict Marxist-Leninist line, FRELIMO President Joaquim Chissano may have finally hit on a way to halt Mozambique's self destruction.

Namibia

Population: 1,711,000.

Government: Controlled by South Africa pending United Nations-mandated independence.

GDP: \$1.54 billion.

Per Capita Income: \$789.

Defense Expenditures: \$161.7 million.

(Other figures are assumed to be included with South Africa.)

The Namibian peace process took a 360-degree turn in 1989. The year began and ended with high hopes for a peaceful transition to an independent, democratic government in Namibia that included agreement on a democratic, western-style constitution. The time in between, however, provided some anxious moments. The peace process set up by a December 1988 treaty almost ended as it began on April 1. Less than two hours after midnight on April 1, SWAPO (South West Africa Peoples Organization, now formally called “SWAPO of Namibia”) began a mass infiltration across the Angolan border into Namibia. Of the 1,800 SWAPO fighters who would eventually infiltrate, 317 were reported killed fighting the South Africans, who since 1915 have controlled the land formerly called South-West Africa. After a week of heavy fighting, SWAPO President Sam Nujoma ordered his troops back into Angola.

The reason for the massive SWAPO infiltration, leading to some of the worst fighting in its 22-year guerrilla war against South Africa, has still not been fully established. The Namibia peace agreement had called for SWAPO forces to move to the northern part of Angola during the initial stages of the independence process. Later they were to return to Namibia under United Nations auspices. Nujoma had accepted these arrangements.

Some observers saw SWAPO as trying to bolster its image for the November election by establishing full-scale military bases inside Namibia. The effectiveness of South African military operations in Namibia had made this impossible before. The SWAPO fighters, according to interrogations of captured guerrillas, expected to be met by U.N. troops. Instead they found themselves under attack by South African forces operating with U.N. permission.

The election campaign itself was marked by charges of intimidation on the part of both SWAPO and the South Africans. Both sides charged the United Nations with failing to do its job.

The election went relatively well by African standards and the results were approved by the United Nations. SWAPO won 57 percent of the vote, less than the 2/3 majority needed to write a constitution. SWAPO's main opponent, a multi-

racial coalition called the Democratic Turnhalle Alliance, won about half as many votes as SWAPO.

In a little more than a month the Constituent Assembly created a western-style constitution, calling for regular multi-party elections and including guarantees of fundamental rights. Questions remain as to whether the parties can continue to work together and whether SWAPO can make the transition from revolutionary party to government.

Economically, South Africa has left Namibia with a strong and well-developed physical infrastructure. However, the economy itself is not as strong as it initially seemed, having particular problems with a shortage of private capital and excessive dependence on South African subsidies and occupation spending. Walvis Bay, Namibia's one major deep water port, will remain for the foreseeable future in South African hands. But despite continued South African economic and political domination, the Namibian economy is still in better shape than many others in Africa.

South Africa

Population: 35,364,000.

Government: Parliamentary.

Head of Government: President F.W. de Klerk

GDP: \$80.70 billion.

Per Capita Income: \$1,890.

Defense Expenditures: \$3.91 billion.

Armed Forces: Army—77,500; Navy—6,500 including 900 marines (1,500 conscripts); Air Force—11,000 (4,000 conscripts); Medical Service—8,000; Paramilitary—55,000; Reserves—425,000 all services.

Total Regular Armed Forces: 103,000 (includes 64,000 conscripts).

The new South African President, F. W. de Klerk, met the morning of Dec. 13, 1989 with Nelson Mandela, the imprisoned South African black nationalist leader. The meeting, held at Mandela's request, was the second time a South African president met with Mandela in the last six months. (**EDITORS NOTE: Mandela was released from prison on Feb. 11, 1990.**) It capped another eventful year for South Africa, and was interpreted by many as a hopeful sign of possible progress toward ending the abhorrent practice of apartheid. The meeting stands in vivid contrast to a developing security force death squad scandal—reports that members of the South African security police had assassinated apartheid opponents.

De Klerk took over as head of the ruling National Party in February after P.W. Botha suffered a stroke. He became acting President in August and when Botha resigned before his scheduled retirement, de Klerk was formally elected President by Parliament in a September election.

It soon became clear that de Klerk was trying to pull off a balancing act between abolishing apartheid, as demanded by black leadership, and total opposition to change, the objective of the right-wing Afrikaaner opposition. De Klerk's critics charge him with supporting the basic principles of apartheid—merely trying, through what one South African newspaper

called "Pretoriastrokia," to make the apartheid system more efficient. De Klerk has stated that he supports the concept of separate racial groups with their own unique cultural identities and developments.

These statements may reflect his real views or they may be political maneuvers designed to reassure the more conservative supporters of his National Party. In the September election, the ruling National Party lost strength to both the left and the right. Despite some liberalization in the white electorate, nearly a third of the voters supported the Conservative Party which opposes any change in the apartheid system.

In foreign affairs, despite some dicey moments, the Namibia independence agreement was holding together as 1989 ended. South African troops had been withdrawn and relatively fair elections were held on schedule in November. An internal settlement in Angola has not been reached, but South Africa is no longer involved. In external relations, de Klerk seems honestly concerned with more cooperation and less confrontation vis-a-vis neighboring states. That policy gives South Africa the chance to devote more time and resources to internal problems.

The effects of continuing economic sanctions on South Africa are highly debatable. Sanctions have not achieved the goal of a rapid end to apartheid, but they may have hurt the general standard of living of many blacks in South Africa. Yet these measures to restrict South African access to world financial credit have made it harder for Pretoria to handle the costs of involvement in Angola and Namibia, thus providing the impetus for South African withdrawal.

As 1990 begins, the danger of further radicalization in South Africa remains, bringing with it an escalating level of violence and repression. De Klerk brings hope for reform, though not as fast as many want and, perhaps, not as fast as might be possible.

THE MIDDLE EAST — STILL A LONG WAY FROM PEACE

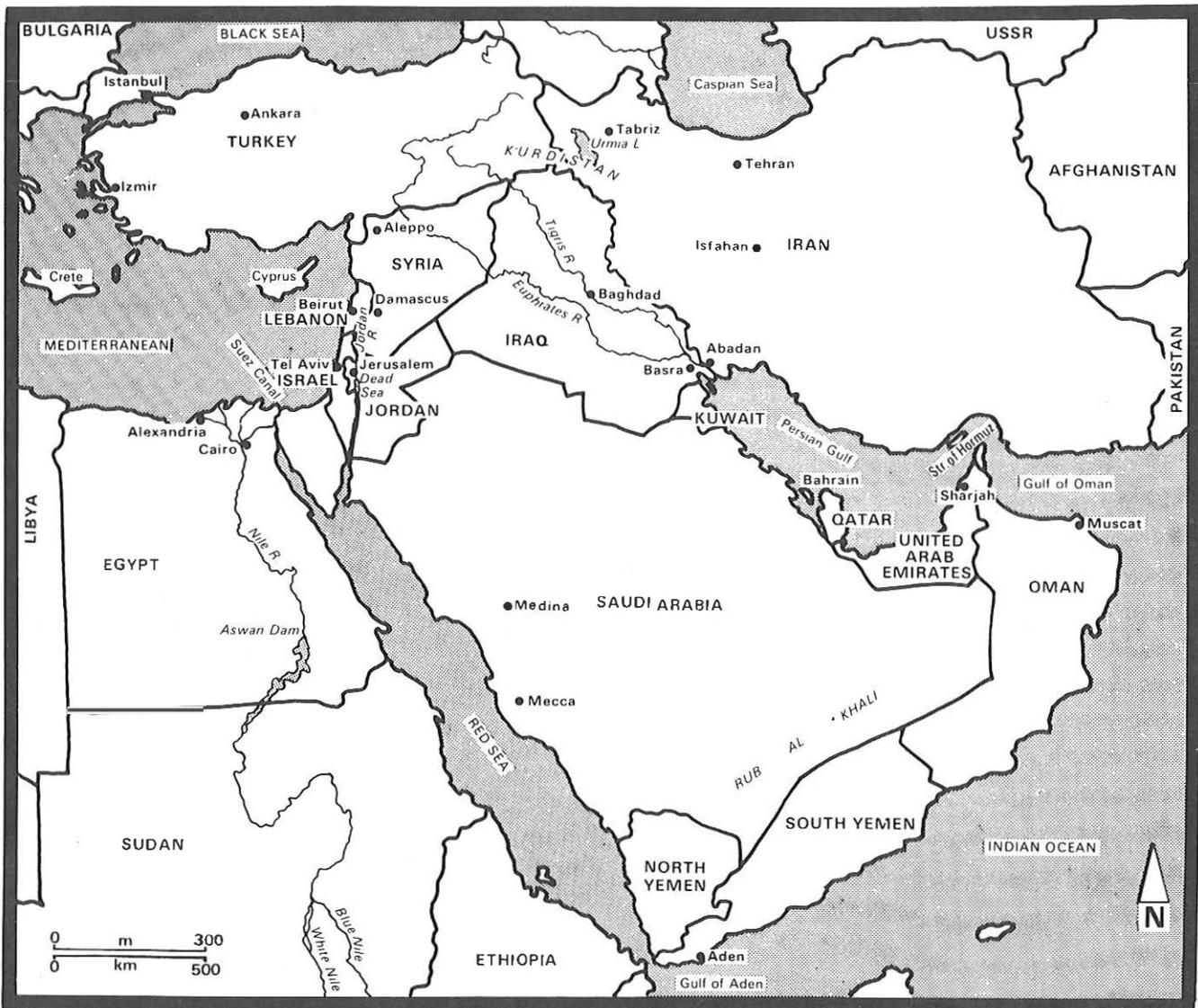
While the World's attention was riveted on the momentous events in Eastern Europe, China and Panama, the cauldron in the Mideast continued to bubble with internal strife.

The Iran-Iraq conflict remained on hold. Each side has offered proposals for peace. Neither reports a response from the other. The five-year war that claimed over a million lives has been quiet throughout the whole year and the rebuilding taking place in both countries would seem to indicate that neither side expects a resumption of hostilities. There remain however some serious obstacles to a true peace.

Intifada, the Palestinian uprising in the West Bank and Gaza in Israel, showed little progress toward solution during the year although initiatives by the U.S., Egypt and others were pursued with some vigor trying to force Israel to proceed with meaningful negotiations. Israel refuses to speak to the PLO even though for the first time in history, Arafat conceded Israel's right to exist. The fragile coalition that tries to govern Israel allows no room for maneuver.

The PLO's status has not reached legitimacy as yet. The

MIDDLE EAST



U.S. has made it clear that it will withdraw UN support funds if there is unilateral action to accord the PLO official status with the UN or any of its agencies.

Lebanon remains an almost mindless internecine killing ground involving multiple groups with incompatible agendas. At year's end, proposals by the Arab League, endorsed by the U.S., the European Community and the United Nations, are getting more than usual attention in pursuit of an acceptable formula aimed at the creation of a government stable enough to begin the healing process. It could be a major step towards an ultimately peaceful solution.

Terrorism and hostage-taking, engendered by the fanatical groups that operate out of Lebanon in particular, were at a lower level this past year.

Libya's Muammar Qaddafi, a perennial troublemaker, kept his lowest silhouette of the decade this past year.

As the home of the world's largest oil reserves and in many ways the world's most volatile people, we can never take our

eyes off the Middle-East for long. Nor can we expect any long-term peaceful coexistence among peoples of such divergent ethnic backgrounds and such passionately held religious beliefs.

Egypt

Population: 54,115,000.

Government: Republic.

Head of Government: President Hosni Mubarak

GDP: \$76.61 billion.

Per Capita Income: \$680.

Defense Expenditures: \$6.80 billion.

Armed Forces: Army—320,000 (180,000 conscripts), 500,000 reserves; Navy—18,000 (10,000 conscripts), 14,000 reserves; Air Force—30,000 (10,000 conscripts), 20,000 reserves; Air Defense Forces—80,000 (50,000 conscripts), 70,000 reserves; Paramilitary—374,000.

Total Regular Armed Forces: 448,800 (250,000 conscripts).

This was the year when Egypt re-joined the Arab community. Last May, Egypt was readmitted to the Arab League from which it had been expelled ten years ago as a result of signing a peace treaty with Israel. Only Syria and Libya opposed Egypt's readmission. In December, Syria decided to resume diplomatic relations and air links with Egypt, and Qaddafi has had meetings with President Hosni Mubarak which will undoubtedly lead to closer relations with Libya. So once again the Arab Nations are all in dialogue.

With the encouragement of the United States, Mubarak has been working all year long on a ten-point plan to bring about peace discussions between the Palestinians and the Israelis with respect to the West Bank and Gaza. His proposals envisage a conference between the Israelis and the Palestinians that would set the ground rules for elections and ultimately lead to some sort of Palestinian state. This obviously involves Israel trading some land for peace.

The Israelis are divided on whether or not they should accept such a plan. Egypt is regarded by many Israelis as fronting for the PLO and, since the PLO is regarded by the hardliners as a group of terrorists, they refuse to deal with them. If a plan can be devised which excludes PLO participation, Mubarak's efforts could bear fruit. It is not likely however, that the PLO can be totally excluded from the process. The fact remains that Mubarak has been the point man in trying to bring about a solution since he heads the only Arab nation officially at peace with Israel.

Egypt ended its participation with Iraq and Argentina in a project to build a ballistic missile to be known as the Condor II. The U.S. has been pressuring Argentina to halt the missile construction effort to try to hold down the proliferation of ballistic missiles.

Egypt still totters on the ragged edge of economic disaster. She is heavily in debt to the International Monetary Fund and France, even though she has been getting \$2.2 million a year in American economic aid and owes the U.S. \$4.5 million in military aid.

Egypt's population growth (officially at 2.7 percent) is outstripping her resources. Egypt has become the world's largest importer of wheat to feed a population whose staple is bread. One-half of the country's food is imported. She has an unemployment rate exceeding 20 percent and has her rapidly growing population stuffed into the 4 percent of her land that is not desert.

All of this puts Mubarak at risk with his own population as fewer expectations can be met. Our concern must be that any ouster of Mubarak could foster a Qaddafi or another Ayatollah. Peace in this area hangs in delicate balance.

Lebanon

(No worthwhile economic or demographic data is available.)

Government: Nominally a republic.

Head of Government: Prime Minister Elias Hrawi

Defense Expenditures: \$26.00 million (1988).

Armed Forces: Despite the break-up of the Lebanese armed forces, all units are referred to here as National

Armed Forces: Army—21,000; Navy—500; Air Force—800; Paramilitary—8,000.

Total Regular Armed Forces: 16,300.

Throughout 1989, the 15-year civil war in Lebanon continued unabated. Pope John Paul II described events in Lebanon as genocide and accused Syria of trying to destroy the country.

To try to make any sense of where matters stand now, one has to appreciate what has gone before. These events are encapsulated in the accompanying chronology of the civil war. It is also imperative to know a bit about the contesting factions and their agendas. These are described in the adjacent Who's Who.

There have been significant events during the past year that begin to focus on the main areas of conflict. At the behest of the Arab League, a small committee consisting of King Fahd of Saudi Arabia, President Chadli Bendjedid of Algeria and King Hassan of Morocco have, for a second time, brought forth a proposal for the reorganization of the Lebanese

Who's Who in Lebanon

Two-fifths of the population are Christians dominated by the Maronites (slightly modified Roman Catholics). Their leader is General Michel Aoun.

A little over half the population are Muslims. The Sunnis are the more well-to-do. The predominate Shias are generally poor and angry. Included among the Muslims are two extremist groups often associated with terrorist acts. The Hezbollah (Party of God) are a Shiite group backed by Iran. The Amal Shiites are armed by Syria. Both are involved with hostage-taking, hijackings and bombings.

The Druze, who have their own version of the Muslim religion represent about six percent of the people and are generally hill people. Their loyalties seem to go with the winning side of the moment.

Syria is of course a major player. It backs the Muslims but cannot entertain any real annexation plans because Israel will not allow it.

Iraq, which hates Syria, plays a role in keeping Aoun's Christian militia armed and fed.

Israel's primary interest is to ensure that Lebanon does not become an enclave for Palestinians or other Arabs who might entertain thoughts of attacking Israel.

The Palestinians in Lebanon are divided between a minority that sides with Syria and a majority that sides with Yasser Arafat, who detests Syria.

Civil War in Lebanon A chronology of key events

April 13, 1975—After decades of simmering political and sectarian rivalry, civil war breaks out. Christians resent the Palestinian state-within-a-state that has sprung up in Lebanon following the Palestine Liberation Organization's 1970 expulsion from Jordan.

April 12, 1976—Syria, alarmed at Palestinian-leftist gains, sends in troops to support Christians.

July 1, 1978—Arab troops attack Christians in the worst fighting in two years. At least 200 people are killed.

June 6, 1982—Israel invades Lebanon, bombing Syrian missile batteries and besieging Moslem West Beirut, trapping the PLO.

Aug. 30, 1982—PLO Chairman Yasser Arafat and guerrillas evacuate Beirut.

Sept. 14, 1982—Pro-Israeli Maronite President-elect Bashir Gemayel assassinated in bombing. Israelis storm West Beirut.

Sept. 16, 1982—Christian militiamen massacre hundreds of Palestinian civilians in Beirut's Sabra and Shatilla refugee camps, an area under Israeli control.

April 18, 1983—U.S. Embassy in Beirut hit by Shiite suicide bomber, killing 63, including CIA chief.

Oct. 23, 1983—Suicide truck bomb attacks by pro-Iranian Shiites on U.S. and French bases kill 241 U.S. servicemen and 58 French paratroopers.

Feb. 6, 1984—Moslem and leftist militias seize control of West Beirut, forcing out Christian units. Hundreds of people are killed as rival militias battle each other.

June 10, 1985—Israeli army completes withdrawal from Lebanon, but occupies border strip with allied Christian militia.

Dec. 28, 1985—Major Moslem and Christian Chieftains sign Syrian-brokered peace treaty. President Amin Gemayel rejects it and fighting begins anew.

Feb. 22, 1987—Syrian troops deploy in West Beirut, ending three years of militia anarchy during which dozens of foreigners were kidnapped, mainly by pro-Iranian Shiites.

Sept. 22, 1988—Gemayel's six-year term ends with Parliament unable to elect a successor. He appoints General Michel Aoun interim Prime Minister. Moslems reject General Aoun and remain loyal to acting premier Salim Hoss who governed under Gemayel.

March 1989—Aoun clashes with Syrian-backed Moslems, triggering a six-month artillery battle that kills more than 900 people.

Oct. 24, 1989—Legislators endorse Arab league peace plan that cuts Christian Maronite power and gives Moslems a greater say in government.

Nov. 5, 1989—Parliament elects Maronite Rene Mouawad president to form government of national reconciliation, despite threats by Aoun.

Nov. 22, 1989—Mouawad assassinated.

Nov. 24, 1989—Parliament elects Maronite Elias Hrawi president, he vows to get rid of Aoun.

government aimed at ending the conflict. Unfortunately, it has not been accepted at all by one of the principal protagonists, General Michel Aoun, head of the Christian forces.

The plan proposed would give Lebanese Muslims, who now constitute more than half the population, at least an equal share of the power with the Christians. The main sticking point is the provision that stipulates that Syria may keep its troops in Lebanon for at least two years before they begin to plan withdrawal. This is totally unacceptable to Aoun and his Christian supporters. The proposal provides for 62 Lebanese Members of Parliament equally divided between Muslims and Christians and tries to offer something to all the religious and ethnic groups.

The existing Lebanese Parliament endorsed the plan and on November 5, elected Maronite Rene Mouawad as President. Muslim Selim Hoss continued as Prime Minister. Aoun did not recognize this election, maintaining that he was still Prime

Minister, having been so designated when President Gemayel left office in September of 1988.

Mouawad lasted 17 days as President before being assassinated by a car bomb. Two days later the Parliament elected Maronite Elias Hrawi as the new President. He has vowed to get rid of Aoun and has designated General Sani Khatib as head of the Army. The loyalty of the military forces is split between Aoun and Khatib but it is possible that Aoun is losing at least some support under the changed circumstances.

Meanwhile, the carnage continues. It seems unlikely that Aoun will give up his demand for Syria's withdrawal and it seems equally certain that Syria will stay. Israel is unlikely to give up its buffer zone in south Lebanon and is unlikely to allow Syria much more leeway. Meanwhile Iraq will continue to arm Aoun so as to continue to harass Syria. The more fanatical groups can be counted on to take advantage of this confused climate to create havoc in pursuing their own extremist agendas.

It should be noted that the United States, the United Nations and the European Community have endorsed the new plan put forth by the Arab League and recognize the regime of Hrawi as Lebanon's legitimate government. Aoun has refused to let his ambassador leave Washington so our government wrestles with the diplomatic problem of what to do. Aoun's ambassador controls the embassy bank accounts at the moment so the resolution of this contretemps takes on the aura of a soap opera.

Syria

Population: 11,724,000.
Government: Socialist.
Head of Government: President Hafez al-Assad
GDP: \$18.12 billion.
Per Capita Income: \$1,640.
Defense Expenditures: \$2.49 billion.
Armed Forces: Army—300,000 (130,000 conscripts), 50,000 reserves; Navy—4,000, 8,000 reserves; Air Force—40,000; Air Defense Command—60,000; Paramilitary—24,300.
Forces Abroad: 30,000 (Lebanon).
Total Regular Armed Forces: 404,000.

The focus of Syria's energies for the past year has been almost exclusively external. President Hafez al-Assad has devoted most of his efforts toward a solution in Lebanon but has made some other overtures that have brought his country somewhat closer to his Arab colleagues.

Assad finally buried the hatchet with Egypt and agreed to resume diplomatic relations and mutual air links. These ties had been broken when Egypt signed its peace treaty with Israel. Assad still does not recognize Israel's right to exist and considers her to be his number one enemy. It is Assad's contention that the Israelis seek dominion over all the area between the Euphrates and the Nile.

For two decades, Assad has sought what he calls "strategic parity" with Israel. He feels that only when faced with an equally strong Arab adversary will Israel make concessions to resolve the Palestinian question and return the Golan Heights which Israel seized from Syria in 1967. Paradoxically, the Syrian commander who lost the battle for the Golan Heights was Hafez al-Assad. The Soviets have urged Assad to back off from the strategic parity theme and emphasize more strongly adequate defense measures. Syria remains the Soviet's closest Arab ally.

Syria's agenda in Lebanon is complex. They espouse publicly two main objectives: to give the majority Moslems more power at the expense of the Maronite Christians and enhanced security measures which would include complete Israeli withdrawal from Southern Lebanon. The Damascus government has backed a Moslem-led cabinet headed by Selim Hoss in opposition to the Christian military administration of General Michel Aoun. Syria maintains some 33,000 troops in Lebanon and has been there for 14 years.

The Arab League has accepted the main tenets of Assad's peace plan but its implementation remains to be accomplished.

Close observers believe that despite all of the side shows, such as Lebanon, the Palestinian problem, etc., the reality of Mideast conflict is narrowed down to the one between Israel and Syria with a great deal of dangerous paranoia and misapprehension on both sides.

Assad rules from Damascus, the oldest city on earth that is still inhabited. It is first mentioned in the Book of Genesis. Assad's hard-nosed bargaining and absolutely unyielding posture on Syria's demands have deep roots.

Israel

Population: 4,542,000.
Government: Parliamentary democracy.
Head of Government: Prime Minister Yitzhak Shamir
GDP: \$40.801 billion.
Per Capita Income: \$6,800.
Defense Expenditures: \$6.37 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; Marines—300; Air Force—28,000 (19,000 conscripts, 37,000 on mobilization), 9,000 reserves; Paramilitary—6,000 Border Police.
Total Regular Armed Forces: 141,000 (110,000 conscripts).

To many outside observers, Israel seems to thrive on controversy and the national unity government is a mirror image of the population. It is at once argumentative, divisive and incapable of achieving consensus on most controversial issues, i.e., what to do about the *intifada* and the Palestinians. The hard-liners within the Likud bloc, led by Ariel Sharon, the Minister for Industry and Trade, are opposed to even the slightest accommodation. They consistently balk at minimum concessions for peace, even those advanced by their own Likud Prime Minister Yitzhak Shamir.

In addition to initiatives proposed by the U.S. Secretary of State and by President Mubarak of Egypt, Shamir came forward with a plan that would bring elections to the West Bank and Gaza. This plan, in brief, would provide for choosing a group of Palestinians with whom the Israelis could negotiate. First would be a five-year period of autonomy in the occupied territories and then a permanent settlement. The Israeli proposal would exclude the PLO from participation in this process and only include as eligible voters those already residing in the West Bank and Gaza. But with extremism seemingly in the ascendency, Ariel Sharon's far right has scuttled, for the moment, the Prime Minister's efforts to make a move toward peace.

As the second anniversary of the *intifada* passed, the Arabs and Israelis remained at loggerheads. The Israelis are no less possessed by their cause than the Palestinians who feel a deep sense of injustice. Stalemate therefore persists.

Israeli leadership is beginning to worry about the diminishing interest and support of its policies particularly amongst the American Jews who have been its major financial supporters. Some of this is based partly on the Israeli government's repression of the Palestinian uprising and its

inability to make any progress toward a reasonable solution of the problem.

As *intifada* enters its third year, it is now clear that this has been a year of attrition on the ground, a stalemate in diplomacy. The glamor of its first year—the Palestinian declaration of Independence, the PLO recognition of Israel's right to exist and the launching of the American-PLO dialogue—has faded.

There were other events of significance in Israel last year. Israel made at least 20 air strikes in Lebanon, mostly against Syrian-supported targets. Israeli leaders expect continued hostility from Syria, even though Syria has restored its relations with Egypt, the first Arab country to sign a peace treaty with Israel.

In July, Israeli soldiers, on a daring nighttime raid, kidnapped Sheikh Abdel Ksarim Obeid from his home in Lebanon. He was one of the leaders of Hezbollah, the Iranian-supported terrorist "Party of God." He was abducted as trading material for three Israeli POWs. That exchange is yet to be consummated.

It seems clear that Israeli rule over the occupied territories must eventually end. The U.S. government has come to realize that permanent Israeli rule over the West Bank and Gaza is undesirable and unworkable. It is equally clear that Israel will resist the outcome even to its own detriment.

Jordan

Population: 3,109,000.

Government: Constitutional monarchy.

Head of Government: King Hussein I

GDP: \$4.388 billion.

Per Capita Income: \$1,560.

Defense Expenditures: \$465.7 million.

Armed Forces: Army—74,000, 30,000; Navy—250 coast guard; Air Force—11,000; Paramilitary—20,200; Reserves—35,000 all services.

Total Regular Armed Forces: 85,250.

Like most of its neighbors, the Hashemite Kingdom of Jordan saw significant change during the past year. In November, elections representing the first national poll since 1967 were held. It was also the first time that women were allowed to vote.

The results represented a change as well. Moslem fundamentalist gains in the elections assured them of 32 seats in the 80-member Parliament. This gives voice to an Islamic bloc whose world view contrasts sharply with the secular, westernized outlook of King Hussein and his top officials.

In December, Prime Minister Mudar Badran announced that his government would lift martial law which for 22 years has banned large public meetings and allowed authorities to restrict freedom of speech.

Jordan had been the first Arab state to re-establish formal relations with Egypt and had stepped up its cooperation with Cairo. During the Iran-Iraq war, Jordan actively supported Iraq and allowed supplies to enter the Jordanian port of Aqaba. And in 1988, Hussein abrogated Jordan's claim to the West Bank in Israel. Since Jordanians of Palestinian stock represent the majority of the population, all of these events, and most

especially the election, take on added significance.

Hussein has ruled as King for 37 years—he was enthroned at age 18. The riots in Jordan last April, which were touched off by the demand from the International Monetary Fund to cut the budget and the balance of payment deficits, were the first in Hussein's regime. Eight people were killed and around 100 were injured, but that was enough to spark the move to elections.

Jordan's economy is in a shaky state and is apt to remain so for the foreseeable future. The foreign debt is now about \$8.3 billion. But with low oil prices and budget-tightening in other Arab countries, outside financial assistance will be meager.

King Hussein is a proven survivor. With the actions he has taken this year, in particular the elections, his tenure as King does not seem in immediate danger.

Iran

Population: 54,370,000 (tentative—due to unknown casualties during Iran-Iraq war).

Government: Islamic republic.

Head of Government: Hojatolislam Ali Akbar Hashemi Rafsanjani

GNP: \$93.5 billion.

Per Capita Income: \$1,667.

Defense Expenditures: \$5.77 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; Revolutionary Guard Corps—250,000; Paramilitary—2,557,000.

Forces Abroad: 2,000 Revolutionary Guards.

Total Regular Armed Forces: 604,500.

1989 was a year of major change in Iran but winds up almost as much of an enigma to the West as it was at the beginning.

On June 3, the Ayatollah Khomeini died, ending a decade of violent revolution and war. His revolution overthrew the Shah and his hatred of the West was expressed by the hostage crisis and by his overt support of terrorist groups in Lebanon and elsewhere. He also persisted in a war with Iraq which cost Iran more than a million dead and many more than that wounded or maimed. The staggering loss of equipment effectively emasculated Iran's Armed Forces.

On July 28, one of the Ayatollah's proteges, Ali Akbar Hashemi Rafsanjani, was elected the new president of Iran. He was perceived by many in the West as a pragmatist who could be worked with in a reasonable manner. There was particular hope that Khomeini's death would bring about an end to the hostile, turbulent era that has vexed the West for the past decade.

It was hoped that the election of Rafsanjani would signal a more enlightened future and it may still do so, although there is little evidence as yet to support this. He does not have the support of the hardliners who have a majority in the Parliament. He faces massive economic problems already causing public unrest. His political staying power is chancy at best and

unless he can produce some drastic changes his tenure may be short.

How to resurrect the terminal economy is further complicated by a deep split in the leadership over basic policy. One side interprets the Islamic state as meaning the government should play an extensive role in managing the economy. The other side favors protection of private property and free-market principles. Neither side has the upper hand, so the result is stalemate.

Peace itself remains in limbo. While the fighting has ceased, there is no agreement for a treaty with Iraq. Iran wants Iraq to be branded the aggressor, to pay reparations and to have a return to pre-war boundaries. Iraq seeks sovereignty over the Shatt el Arab waterway dividing the two countries, the return of all POWs and the removal of Iranian troops from Iraqi territory. Reconstruction of damaged oil refineries and other facilities damaged by the war continues in the mutual hope that hostilities will not resume.

Iranian hardliners continue to support terrorist groups and in particular the Hezbollah (Party of God) that remains so active in the fighting in Lebanon. This group is regarded by most as the one that set in motion the destruction of Pan Am flight 103 which blew up over Scotland last year. Hojatoislam Mohatshemi, whom Rafsanjani ousted as Interior Minister, is the most public supporter of Iran's terrorist activity. At year's end he had been elected to a seat in the Iranian Parliament. With the hardliners in a majority in Parliament, it is hard to see how we can expect much action to free any hostages in the near future.

Iraq

Population: 17,840,000 (tentative due to unknown casualties during Iran-Iraq war).

Government: Ruling council.

Head of Government: President Saddam Hussein

GDP: \$45.0 billion.

Per Capita Income: \$1,740 (1984).

Defense Expenditures: \$12.87 billion.

Armed Forces: Army—955,000 (480,000 active reserves); Navy—5,000; Air Force—40,000; Paramilitary—4,800;

Reserves—850,000 People's Army.

Total Regular Armed Forces: 1,000,000.

In the broadest sense, Iraq was in a pattern of redirection during the past year. With actual combat with Iran on hold, the country's energies were directed toward internal affairs for the most part.

The cease-fire with Iran went into effect more than 15 months ago but anti-aircraft guns still top the skyscrapers and more than 600,000 soldiers guard the front. Iraq does not expect a formal peace with Iran but neither do they expect a resumption of actual fighting. Iraq had 250,000 war dead, 500,000 wounded and some 70,000 Iraqi soldiers remain prisoners of war.

Early in December, U.S. officials confirmed that Iraq had become the first Arab nation to test successfully a satellite-launching rocket. They thus became the second Arab nation, after Saudi Arabia, to gain a long-range weapons delivery

system approximating that of Israel.

President Saddam Hussein, head of the Baath party, rules the country through the Revolutionary Command Council. Nobody expects the president to give up much power nor to abandon the ruthless ways in which he has maintained it. The economy will remain on a war footing until oil revenues grow. This year the country opened a pipeline through Saudi Arabia giving them an outlet on the Red Sea and increasing their export capability substantially.

Meanwhile life is hard. Shortages have pushed inflation to about 40 percent and onerous wartime restrictions including a ban on foreign travel remain in force. The government wants to revive the ambitious development program the war interrupted. Its priorities are defense, oil, petrochemicals, manufacturing, phosphates and steel. Next year more attention will be given to agriculture.

Iraq's four million Kurds are paying a bitter price for the accusation that they were disloyal during the Gulf War. Thousands of villages have been destroyed and their inhabitants re-settled far out in the desert.

Iraq continues its attempts to force its arch rival Syria out of Lebanon by supporting the forces of General Michel Aoun, the Maronite Christian leader.

Iraq has vast oil reserves, ample land and water, a fairly well-educated population of 17 million and is obviously a potentially rich country. But \$80 billion of foreign debt and low oil prices make it difficult to realize that potential in the near term.

Saudi Arabia

Population: 13,489,000.

Government: Monarchy with council of ministers.

Head of Government: King Fahd

GDP: \$73.385 billion.

Per Capita Income: \$6,200.

Defense Expenditures: \$14.69 billion.

Armed Forces: Army—38,000; Navy—7,200 including marines; Air Force—16,500; Air Defense Forces—4,000; Paramilitary—64,500.

Total Regular Armed Forces: 65,700.

The Saudis provided a pivotal oasis of calm in the restless Middle East. Dominating as they do the bulk of the Arabian peninsula, they provide a bulwark of peace that serves the whole area in good stead.

While their relations with Iran have worsened since the end of Iran's war with Iraq and they still do not pursue diplomatic relations, there have been no reported incidents of military violence. The Saudis maintain operational floating naval base in the northern Persian Gulf as a bulwark against any Iranian aggression.

The Saudis still operate the ultimate welfare state. Average family income runs between seven and eight thousand a year. They pay no personal income taxes, schooling is free—including higher education; gasoline, electricity, airline tickets, among other things, are subsidized. All adult Saudi citizens who are not independently wealthy are entitled to a plot of land and an \$80,000 interest-free housing loan. Medical care

including advanced treatment is free. This is not a country ripe for internal unrest.

The facts are, though, that because of the fall in oil prices the eternal fountain is not supplying adequate funds at the moment to meet the Saudi budget. While they have reservoirs of invested funds from the "fat-cat" oil days, they may have to proceed with greater caution in today's climate.

The Saudis continue to be the largest customer for U.S. weapons in the Middle East.

As the heartland of Islam, Saudi Arabia occupies a special place in the minds of Muslims. Because of the strict injunction that all Muslims who are physically and financially able must make the hajj to Mecca, it is a major offense for Muslims to even consider violating Saudi territory. This was made clear this year when 16 Kuwaiti Shiite nationals set off bombs in Mecca while more than a million pilgrims were performing Islamic rites. The 16 were publicly beheaded with total approbation.

ASIA AND THE PACIFIC — REGIONAL EVENTS TAKE SECOND PLACE TO THE CHANGES IN EUROPE

There was plenty going on during 1989 in this dynamic area of the world. However, events like the long-awaited Sino-Soviet summit in Beijing, the brutal handling of the student demonstrations in Tiananmen Square by the Chinese Army, and the sixth and most serious coup attempt against Philippine President Aquino, cannot compare with the drama and long-term significance of activities occurring in Europe and in the Soviet Union. Despite temporarily playing second fiddle, the Pacific economic miracle continued, leading many to opine that economic power, such as that illustrated by Japan, can no longer be ignored. The withdrawal of Communist occupying forces in Afghanistan and Cambodia was completed, but unfortunately peace is yet to come to these war-ravaged lands.

Unlike Soviet troop reductions and withdrawals under way in Eastern Europe, there was little change in the Soviet force presence along the Pacific seaboard facing the United States and Japan. Most of the Soviet troop cuts for the Far East announced by Mikhail Gorbachev in December (a 200,000 reduction by beginning of 1991) are under way, but are being made in border garrisons opposite China. There has been, thus far, a definite lack of response to the Soviet initiatives by the Asian states. Glasnost and real relaxation of tensions have yet to make their way into the Pacific region.

The Soviets scored a major victory when Gorbachev met with the Chinese leader Deng Xiaoping in May in Beijing. Massive student demonstrations during Gorbachev's visit detracted from the historic meeting. Unfortunately these demonstrations evolved into a tragic loss of life as the Chinese Army forcibly removed the students from the square. In the aftermath of Tiananmen Square, conservatives in the Chinese Central Government took control and many of the economic reforms enacted over the last ten years were rescinded.

On the whole, the economies in the Pacific grew in 1989,

but two countries, Taiwan and South Korea, experienced a squeeze on profits caused by wage increases and the strengthening of their respective currencies against the U.S. dollar. Thailand moved closer to reaching the position of a newly-industrialized country and continued to post double-digit growth.

Conflict associated with insurgencies and communal strife remained an ingredient in the region. The Philippines, Cambodia, Afghanistan and Sri Lanka all had their share of warfare. Minor clashes and cross-border operations kept tensions high and tested the capabilities of the diplomats in Indochina and surrounding areas.

Long-entrenched political parties lost out in 1989. The Liberal Democratic Party in Japan lost control of the upper house of the Diet for the first time since the Party was formed in 1955. A similar fate was suffered by the Congress Party in India, which relinquished control of the government for only the second time in 40 years. The first-ever free election in Taiwan significantly reduced the overwhelming power of the ruling Kuomintang Party.

Japan had three Prime Ministers in 1989 as political and personal scandals took their toll. Indian Prime Minister Gandhi was defeated in a November election, President Aquino of the Philippines barely escaped another coup and President Bhutto in Pakistan survived a no-confidence vote. Thailand's Prime Minister Chatchai emerged as the region's newest star.

Trade friction dominated U.S. relations with Japan and the "Little Dragon" around the Pacific rim. Driven by the Congress, the Bush administration stepped up the pressure on Japan to admit American products and demanded better protection for American patents.

A wrap-up of 1989 events in the Pacific would not be complete without noting that Deng Xiaoping stepped down from his last official government post in Beijing. The octogenarian symbolized the Chinese Communists' struggle for power and the party's subsequent efforts to govern.

Japan

Population: 123,637,000.

Government: Parliamentary democracy.

Head of Government: Prime Minister Tashiko Kaifu

GDP: \$2.975 trillion.

Per Capita Income: \$15,760.

Defense Expenditures: \$30.09 billion.

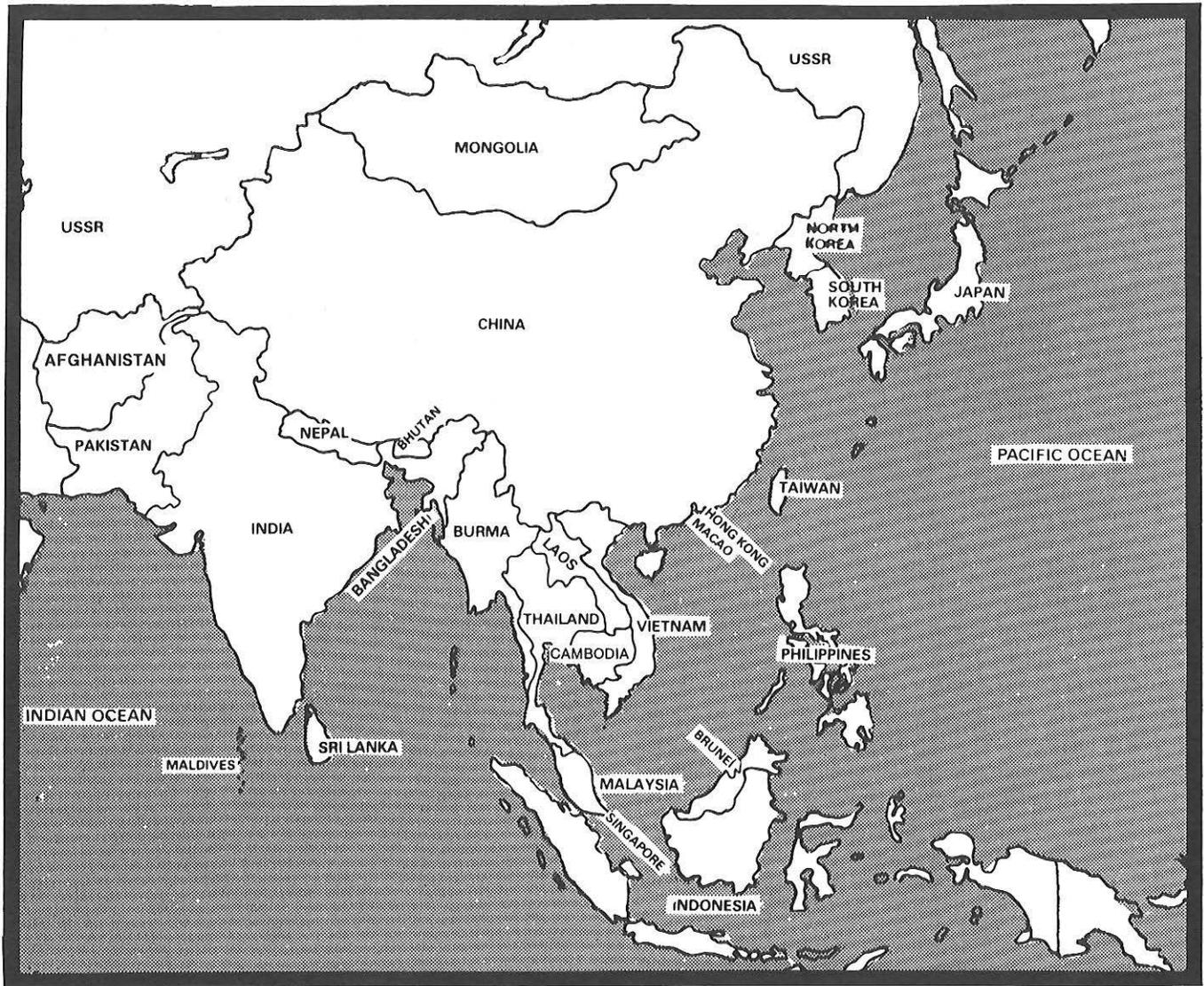
Armed Forces: Army—156,000, 46,000 reserves; Navy—44,000, 1,100 reserves; Air Force—46,000, 800 reserves; Paramilitary—12,000.

Total Regular Armed Forces: 246,000.

As 1988 ended, most gave Prime Minister Noboru Takeshita good reviews and his Liberal Democratic Party (LDP) continued to be firmly entrenched. While an insider trading scandal claimed a third cabinet minister in January, few would have predicted the political demise of Takeshita in 1989. Moreover, LDP lost control of the upper house in the Diet for the first time since 1955.

All Japan was preoccupied for the first several months of the year with the death of Emperor Hirohito which occurred

ASIA AND THE PACIFIC BASIN



in the 64th year of his reign. His passing marked the end of the Showa era. Prince Akihito succeeded his father and ushered in the Heisei era.

Unfortunately for Prime Minister Takeshita's government, the insider trading scandal would not go away. In March, his popularity plunged to an historic low over strong public dissatisfaction with a new three percent sales tax and reinforced by resentment over the stock scandal. In April, Takeshita resigned under pressure and after some delay, Sosuke Uno was selected as the LDP's 19th consecutive prime minister.

In July, the LDP lost control of the upper house to a loosely aligned opposition led by Takako Doi, a single woman who heads of the Japan Socialist Party.

This was truly a stunning event and turned the status quo upside down. Prime Minister Uno resigned and Tashiko Kaifu, a former Education Minister with little experience in foreign or economic affairs was selected to lead the government.

Obviously, domestic politics were difficult for the Japanese in 1989, but international relations were also sticky at times.

Japan continued to show an unwillingness to expand cooperation with the Soviets without return of the Northern territories, a series of islands north of Hokkaido which were turned over to the Soviets at the end of World War II.

Japan's relations with the United States were also marked with ups and downs. The Japanese reacted negatively to the action of the Senate in directing President Bush to persuade Tokyo to meet all costs of deploying U.S. Armed Forces in Japan. Japan currently pays about \$44,000 per member of the U.S. military which equates to about 40 percent of the total cost. Tokyo responded strongly to the burden-sharing pressures by pressing for more power sharing.

Trade difficulties between Japan and the U.S. were exacerbated when Japan and two other countries were cited by President Bush as unfair traders. This designation procedure is part of a new tough U.S. trade law and if negotiations fail to remove the problems, there must be retaliation within three years.

Even the once tranquil Japan/U.S. security relationships

have experienced rough going. On the plus side, Japan's defense budget for 1989 increased 5.9 percent to \$31.4 billion. Their logistic capability as well as command and control facilities will be upgraded and there is a steady stream of modern equipment flowing to the Japanese Self Defense Forces.

Economically, Japan continued to roll on. Growth in the GNP in 1989 was about three percent with the inflation rate less than two percent and there are few who predict anything but more of the same for Japan as the world moves into the '90s.

Republic of Korea (South Korea)

Population: 43,050,000.

Government: Republic.

Head of Government: President Roh Tae Woo

GDP: \$159.62 billion.

Per Capita Income: \$2,690.

Defense Expenditures: \$8.51 billion.

Armed Forces: Army—550,000; Navy—60,000 (19,000 conscripts, 25,000 marines); Air Force—40,000; Reserves—4,500,000 all services; Paramilitary—3,503,500.

Total Regular Armed Forces: 650,000 (19,000 conscripts).

By no means was the Year of the Snake a dull one in the Land of the Morning Calm. Domestic politics continued in the normal confrontational style. Labor and student protests were joined by farmers and there was a dramatic downturn in the economy. Despite an exchange of Presidential visits, ROK/U.S. relations became more prickly and, for the first time in a decade, the size of the U.S. troop presence on the Korean peninsula was a subject of debate.

During the presidential campaign of 1987, Roh Tae Woo promised a referendum to give the people an opportunity to judge his performance after one year on the job. Although the polls seemed to be running in the favor of President Roh, in March he abruptly and indefinitely postponed the interim test. Official spokesmen for the Seoul government noted that the vote could provoke more violence and threaten South Korea's fledgling democracy.

In February, after three months of hearings, the government ended the official investigation of former President Chun Doo Hwan's government abuses. A total of 47 people were arrested on corruption or abuse of power charges, including seven of Chun's relatives and the former mayor of Seoul, the former construction and transportation ministers and the former head of the main governmental intelligence agency. In December, Chun appeared before the National Assembly where he refused to take the blame for the 1980 Kwangju massacre or to make an outright apology as the opposition parties had demanded. Most Korean citizens expressed disappointment with the content and tone of Chun's testimony, whereupon he returned to self-imposed exile in a Buddhist temple, vowing never to come back to testify.

President Roh moved forward this year with a two-tiered approach to the Communist North. He worked to cement relations with Communist countries around the world (the

USSR, China, Hungary), while at the same time making friendly gestures to North Korea. And, while Moscow agreed to set up consular ties with Seoul, talks between the North and South, with unification as the ultimate goal, resulted in little or no real movement.

Anti-Americanism remained an emotional issue on the campuses, but most Koreans still hold warm feelings for their acknowledged benefactors. Unfortunately, the U.S. Congress is having second thoughts about these anti-American sentiments as it reviews our military deployments overseas. A declining U.S. defense budget coupled with the perception of reduced host-nation support for U.S. troops could mean force reductions in Korea sooner rather than later.

During the course of the last few years, Seoul has modernized its military forces and increased their capabilities. But North Korea has done likewise and, while the gap narrows between the North and the South, most experts predict that parity will not be reached until the mid-1990s. Consequently there is a role for the U.S. forces stationed in Korea for the foreseeable future.

Democratic Peoples' Republic of Korea (North)

Government: Communist dictatorship.

Head of Government: President Kim Il Sung

GDP: \$45.54 billion.

Per Capita Income: \$1,180 (1985).

Defense Expenditures: \$4.17 billion.

Armed Forces: Army—930,000, 500,000 reserves; Navy—40,000, 40,000 reserves; Air Force—70,000; Paramilitary—3,115,000.

Forces Abroad: 110.

Total Regular Armed Forces: 1,040,000.

Two events in 1989 provided a closer look inside North Korea, the most controlled, closed society in the world. The first was the highly political 13th Youth Festival held in Pyongyang in July. Eager to put a good face on Communist accomplishments and to upstage South Korea's 1988 Olympics, North Korea permitted about 600 foreign journalists, some from Western countries including the United States, to attend the festival. Consequently, there has been more news coverage out of North Korea in the last six months than in the last 20 years. Most Western reporters generally agreed that North Korea remains a highly regimented, almost brainwashed culture which has been taught above anything else to honor, respect and obey the Great Leader, Kim Il Sung as well as his son and heir Kim Jong Il.

The second event was a report published by the human rights organization Asia Watch. This report reveals a system which deprives its citizens of even the most basic freedoms. There is rather hard evidence that Pyongyang runs a gulag containing up to 150,000 political prisoners. It is also apparent that North Korea has developed a society based on a class system in which status is derived solely from loyalty to Kim Il Sung.

Most of the world displays little interest in North Korea (only one Western country, Finland, is represented in Pyongyang) and the economic gap between North and South

is widening. The normalization of Sino-Soviet relations and the regional implications of Moscow's diplomatic moves have put pressure on Kim Il Sung. Even China has counseled North Korea to adopt a more moderate stance.

Late in 1988, North Korea initiated direct talks with U.S. diplomats in Beijing. These were the first discussions held between the U.S. and North Korea outside of Panmunjom since the start of the Korean War in 1950. So far the only results of the four meetings that have taken place are that the U.S. has relaxed its rules on official contacts and has eased some travel restrictions to North Korea.

North/South talks at several levels had their usual stops and starts with very little real progress. North Korea continues to be inconsistent in its dealings with Seoul and Pyongyang's schizophrenic actions and rhetoric further suggest that factional divisions persist north of the 38th parallel.

The many rapid changes in Eastern Europe, and the Soviet Union, along with the total failure of the Lenin/Marxist economic system underscore the fact that time is working against North Korea. The real question is when and how will change occur in the "Socialist Paradise." The best bet is, not while Kim Il Sung lives.

People's Republic of China

Population: 1,104,872,000.

Government: Communist people's republic.

Head of Government: Premier Li Peng

GNP: \$367.91 billion.

Per Capita Income: \$290.

Defense Expenditures: \$6.60 billion.

Armed Forces: Army—2,300,000 (1,075,000 conscripts); Navy—260,000 (35,000 conscripts); Air Force 470,000 (160,000 conscripts); Strategic Rocket Units—90,000; Reserves—1,200,000 all services; Paramilitary—12,000,000.

Total Regular Armed Forces: 3,030,000 (1,350,000 conscripts).

For mainland China, the events of 1989, climaxed by the massacre of students by the People's Liberation Army in Tiananmen Square, gave currency to the many tragedies that have occurred during the historic Communist experiment in China.

The onset of the Year of the Snake found Communist Party General Secretary Zhao Ziyang, China's leading reformer, and his mentor Deng Xiaoping, still competing for power with Premier Li Peng over control of the party and the government of China. The slowdown in economic reforms, evident in 1988, continued into 1989.

Intellectuals started the year boldly speaking out for freedom and democracy at a time when the Chinese Communist Party was preoccupied with economic issues. The mood of openness was similar to that of 1986, the eve of another government ideological crackdown. Many intellectuals are now convinced that economic reform cannot succeed without political change—a proposition espoused by party secretary Zhao in discussions with Soviet President Gorbachev early in 1989. However, in late March the party put the lid on criticism and tightened controls over intellectuals and all forums for dissent.

The February visit to Beijing of Soviet Foreign Minister Shevardnadze advanced Sino-Soviet rapprochement and was instrumental in setting up the May summit meeting between Soviet leader Gorbachev and Deng Xiaoping. Unfortunately for both participants, student unrest overshadowed the long-anticipated meeting. The massive demonstrations during Gorbachev's visit was a shocking blow to what was to be Deng's final triumph.

Despite obvious governmental displeasure with open dissent, the death on April 15 of Hu Yaobang, a former party secretary, sparked a wave of student protests. Three days after his death, approximately 3,000 students demanding political reforms, made an unprecedented march on the Zhongnanhai—the walled compound where the Communist leadership resides.

Initially, the Communist leaders were tolerant toward the students, but on April 26, Deng warned them of the consequences of their actions. Challenging Deng, about 50,000 students took to the streets for 12 hours amid conflicting signals from the party.

By May 18, the protest had broadened into a serious challenge to the Communist political system and Beijing was brought to a standstill. Martial law was declared on May 19 and about 100,000 Chinese soldiers surrounded Beijing. But 10 days later there was still no attempt to end the student occupation of the square.

From the beginning, the PLA stood back from the problem of unrest and the 38th Group Army Commander, Xu Quinian, refused to order his troops into Beijing. However, on June 4, troops entered the city and brutally suppressed the students, clearing Tiananmen Square. The soldiers fired into crowds and drove tanks over tents housing hunger strikers. More than 700 deaths were verified by hospitals, but other estimates of those killed ran as high as 7,000. Astrophysicist Fang Lizhi, a leading spokesman for reform, and his wife, took refuge in the U.S. Embassy, a situation which would exacerbate the hard feelings between the PRC and the U.S.

As the year ended it is still too early to assess the long-term implications of this thoughtless use of deadly force. But, in the near term, it slowed China's return to the international family of nations, dimmed hopes for extensive foreign investments, challenged a panoply of economic reforms, questioned the Sino-British agreement on Hong Kong and jeopardized any future arrangements to share sovereignty over Taiwan.

In the wake of the Army attack, there occurred an intense behind-the-scenes struggle for leadership in which Zhao Ziyang and three other top party leaders were sacked. Ziang Zemin, 63, who many considered an interim selection, was named party head. The real power seemed to be in the hands of the conservative octogenarian leaders who had sided with Deng against Mao loyalists and the Gang of Four. The Communist Party remained committed to the elimination of political reforms which even subtly challenged its monopoly of power.

The Tiananmen massacre and subsequent U.S. sanctions significantly cooled Sino-U.S. relationships. Unfortunately, Deng insisted that the U.S. sanctions and attitude were responsible for the problem. Then, to the chagrin of many in Washington, President Bush sent two high-ranking members of his administration to Beijing in the late Fall in hopes of

improving relations and possibly prompting Beijing toward redressing world outrage against the student massacre.

In November, Deng stepped down from his last government post as Chairman of the Central Military Commission. He will remain influential from the sidelines with power derived from prestige rather than position. The Year of the Snake signaled the end of the decade. Deng's resignation signaled the end of an era.

Taiwan (Republic of China)

Population: 20,971,000.

Government: Republic.

Head of Government: President Li Teng-hui

GNP: \$98.79 billion.

Per Capita Income: \$3,110 (1984).

Defense Expenditures: \$7.64 billion.

Armed Forces: Army—270,000, 1,500,000 reserves; Navy—35,000, 32,500 reserves; Marines—30,000, 35,000 reserves; Air Force—70,000, 90,000 reserves; Paramilitary—25,000.

Total Regular Armed Forces: 405,500.

Political liberalization, begun by the late President Chiang Ching-kuo, has continued under President Li Teng-hui, a native Taiwanese, who succeeded Chiang. Early in the year, legislation was passed legalizing some 38 opposition parties. But the real cornerstone of Taiwan's move toward democracy was the Dec. 2 parliamentary and local elections. The run-up to the island's first "free elections" was not exactly by the book with reported killings, kidnappings, office burnings and wholesale vote buying. Despite these problems, U.S. Congressional observers were not overly concerned. They did note, however, the systemic advantages of the ruling Kuomintang (KMT) Party which included lopsided access to the news media, denial of opposition candidates' civil rights, gerrymandering and unlimited funds.

The Democratic Progressive Party (DPP), the largest opposition element, made unpredicted large gains. The DPP won 35-38 percent of the popular vote while the KMT received 50-55 percent, down from 70 percent in 1986. In the 21 county magistrate/mayor races, the DPP captured six positions with one going to an independent. In the Legislative Yuan (or Parliament) contests, the opposition won 21 seats—an increase of six. There was no opportunity for the opposition to gain a majority since only 101 out of 295 seats were up for election. The remaining seats are filled by mainlanders who were elected in 1947 and not subject to the electoral process. (The average age of this group is 81.)

For the old guard in the KMT, the results of the election underscored the people's ingratitude. A better reading is that the affluent middle class had confidence enough to demand what the old government had failed to deliver—a clean environment, welfare safeguards, a society free from crime and a representative parliament. The KMT's power was weakened and the people's protest can hardly be ignored.

Two significant initiatives taken by President Li in 1989, marked a major departure concerning Taiwan's relations with China. Li endorsed the concept of one China—two equal

governments that effectively recognized the existence of a Communist government on the mainland. Second, his delegation to the Asian Development Bank meeting in Beijing marked the first Taiwanese official representation to China in 40 years. Taiwan's changing attitudes toward the rest of the world, especially to China, stem from greater self-confidence based on ever-increasing prosperity.

Philippines

Population: 58,382,000.

Government: Republic.

Head of Government: President Corazon Aquino

GDP: \$38.96 billion.

Per Capita Income: \$590.

Defense Expenditures: \$1.28 billion.

Armed Forces: Army—68,000, 80,000 reserves; Navy—28,000 (including marines and coast guard), 12,000 reserves; Air Force—16,000, 16,000 reserves; Paramilitary—83,000.

Total Regular Armed Forces: 112,000.

The year began with increasing optimism for President Corazon Aquino, her government and the nation. Among the many problems remaining, there was a persistent insurgency, extreme poverty and a huge foreign debt. To her credit, there was also a modest economic boom, confidence in the central government was growing and a degree of normalcy had returned to Filipino life. Unfortunately, the positive aspects of 1989 were overshadowed by a military-instigated coup attempt which started on Dec. 1 and lasted for approximately eight days before the rebels finally yielded. The fighting resulted in at least 100 civilian deaths and over 500 wounded.

Although the sixth and most serious coup attempt since Aquino took over the government was defeated, she stands to lose a great deal. Her ability to deal with international issues and domestic problems has been seriously undermined. The fledgling Filipino sense of the rule of law was damaged and three years of steady economic growth has been dealt a serious blow. Most importantly, the incident emphasized widening public discontent and persistent dissatisfaction in some ranks of the military.

It is difficult to determine the economic impact of the December coup attempt, but real growth in GNP should be around six percent in 1989. Disappointingly, the population explosion continues to negate whatever economic progress is made. Almost 50 percent of the people exist below the poverty line. (This figure was 60 percent during the Marcos period.)

U.S./Philippine base negotiations, delayed by the coup attempt, should begin in earnest during 1990. It is safe to say that the current arrangement permitting American use of Subic Bay Naval Base and Clark Air Base is at risk. The U.S. agreed to provide \$418 million in aid in both '89 and '90, but the price tag of \$1 billion per year has been mentioned in Manila. Vice President Quayle noted during his September visit to the Islands that the present rate of compensation is about what the U.S. could afford in the future. Dismantling and moving the bases out of the Philippines would be a costly

option. However, the Singapore government has stated that it would be willing to host some of the displaced facilities to insure an American presence in the area. Leading politicians such as Vice President Jose Laurel and Defense Minister Fidel Ramos have called for a gradual phase-down of the bases. While the bases make a significant contribution to the Philippine economy (about four to five percent of the GNP), nationalism may overcome the monetary arguments.

Vietnam

Population: 64,042,000.

Government: Communist.

Head of Government: Nguyen Van Linh

GDP: \$12.6 - 20.8 billion.

Per Capita Income: \$300.

Defense Expenditures: Not available.

Armed Forces: Army—1,100,000; Navy—37,000 includes naval infantry; Air Force—12,000; Air Defense Forces—100,000; Paramilitary—1,620,000; Reserves—3,500,000 all services.

Forces Abroad: 80,000.

Total Regular Armed Forces: 1,249,000.

After occupying Cambodia for more than a decade, with a military force which at one time approached 200,000, the Hanoi government finally withdrew its soldiers in 1989.

The departure of the Vietnamese units concluded an ordeal of sacrifice, suffering and hubris that caused internal dissent similar to that experienced in the U.S. over its Vietnam War and the Soviet Union over the Afghanistan invasion. Vietnam's Cambodian adventure cost almost 20,000 dead and 55,000-60,000 wounded. Today there must be a sense of relief in a Vietnam that is at peace for the first time since the early 1930s.

Vietnam has a sick economy and for a time, in the Fall of 1988, it appeared that the country would collapse. However, some economic reforms, introduced in 1986, began to take hold and the stricken country limped into 1989. In March, Party Secretary General Nguyen Van Linh shuffled his cabinet and installed new faces to speed up economic reforms. Investment in private enterprise was encouraged, the currency was devaluated, long-term leases were made available to farmers and there was movement toward free market policies. As the year ended, some modest economic gains were recorded. The inflation rate was appreciably less than the 1988 high of 700 percent and there was a proliferation of private shopkeepers. Some 60 foreign countries are known to have invested more than \$600 million in Vietnam's future, with the bulk of that going to offshore oil and gas exploration.

Given some economic improvement there remains in Vietnam a resistance to change from a bureaucratic over-centralized system built over many years. Moreover, there is an ideological struggle going on in Hanoi over the very soul of socialism. Although the Vietnamese perestroika or "doi moi" (renovation) would appear to be irreversible, it could be stunted or delayed by factions in the government who oppose a market economy. Many Vietnamese leaders are intent on rebuilding an economy shattered by war, international isolation

and admitted mismanagement, but they close the door on any move toward democratization.

In 1989, Vietnam slowly inched its way toward international respectability. They are faced with a continuing conflict on their borders and an almost certain changing of the old guard leaders. Linh, the Gorbachev of Vietnam, will soon retire. He is 74, sickly and ready to move on. There is no economic miracle in sight, but no one should underestimate a country that has been able to prevail over two modern Western powers. The leadership of Vietnam has handled wars well; now the question is how they will handle peace!

Cambodia (Kampuchea)*

Population: 7,995,000.

Government: Communist dictatorship.

Head of Government: President Heng Samrin.

GDP: \$570 million.

Per Capita Income: \$90.

Defense Expenditures: Not available.

Armed Forces: Army—42,500; Navy—1,000; Air Force—800; Provincial Forces—25,000; Paramilitary—50,000.

Total Regular Armed Forces: 99,300 (includes 22,500 provincial and 32,500 district forces).

*Data largely estimated. Little reliable evidence available.

Cambodia's year began with optimism. The ten-year-old festering insurgency appeared to be winding down and there was growing confidence in Phnom Penh's fledgling army. Vietnam's pledge to withdraw its troops had a ring of truth and Vietnam and China, two key players in the Cambodian game, were moving towards a settlement. Diplomatic forums and meetings preserved the hope for a political solution to the Cambodian war through most of 1989. Despite guerrilla war in the countryside, Phnom Penh and several other cities bustled with economic activity.

The year ended, however, on a different note with a diplomatic settlement as elusive as ever. There was increasing concern that the communist Khmer Rouge, infamous for its brutal reign of terror during the 1970s, was again on the march. Fighting intensified throughout Cambodia and in view of the September pullout of Vietnamese forces, predictions concerning the military situation for this war-torn country were not bright.

For about ten years, the United States and other western nations, have backed a three-party resistance coalition against the Vietnamese forces and the Vietnamese-backed Communist regime in Phnom Penh. In this uneasy alliance, Prince Norodom Sihanouk heads one faction and Son Sann leads another anti-Communist resistance group. The third element, and the strongest by a wide margin, is the Khmer Rouge. They are supported by China with the cooperation of Thailand. The Soviet Union supports Vietnam in this complex relationship.

The second Jakarta informal meeting, designed to develop solutions to the Cambodia problem was held in February. The group included representatives of the resistance groups, the ruling government in Phnom Penh, representatives of the Association of Southeast Asian Nations and other interested countries. There was little progress at the meeting as

Cambodia's Premier Hun Sen refused to make concessions on proposals for an interim quadripartite regime or any form of international supervision.

In early April, Vietnam added urgency to a political solution when it announced that the remaining 50,000-70,000 Vietnamese troops would be withdrawn from Cambodia by the end of September, regardless of whether or not the internal conflict had been settled. That initiated a flurry of behind-the-scenes negotiations, much of which centered on preventing the Khmer Rouge from again seizing power.

When a 19-nation ministerial conference met in Paris in August, the prospects for a political settlement looked bright. A moderate tone prevailed at the meeting and working committees were quickly established, to deal with agreements for a cease-fire and establish some type of U.N. control mechanism. A key performer at the meeting was U.N. Secretary General Perez de Cuellar who strongly endorsed U.N. participation. Despite these promising diplomatic efforts, however, the talks concluded without a settlement. The end of the Paris conference signaled a return to the battlefield.

As the Vietnamese withdrew the last of their forces from Cambodia, all three resistance groups stepped up their activities. While no major provincial capitals have fallen, the freedom of movement enjoyed by the guerrillas indicates the weakness of the government's Army.

Before the fighting expanded, economic activity in the cities of Cambodia was a bright spot. The government initiated a number of economic reforms to boost the private sector and the free-market economy. They restored private property rights in Phnom Penh which has spurred repair and construction. Farmers have been granted long-term tenure to their land and the right to pass it on to their children. This incentive, plus a lot of rain, produced the best rice crop in two decades. Joint ventures between private investors and the state are encouraged and hundreds of small private enterprises have started in Phnom Penh.

Any long-term real economic gains depend upon extensive rehabilitation of the Cambodian infrastructure as well as in the industrial and agricultural sectors. There is an energy shortage and funds are needed to develop additional water resources. There is a large unexploded ordnance problem—mines, bombs, artillery shells—which must be solved. The country is starved for investment, but there is a shortage of qualified people able to plan, manage and implement the recovery.

All these things make the future of Cambodia appear tenuous. China, with its continued support of the Khmer Rouge, seems to hold the key to peace in this part of Indochina.

Thailand

Population: 54,628,000.

Government: Constitutional monarchy.

Head of Government: Prime Minister Chatchai Chunhawan

GDP: \$55.52 billion.

Per Capita Income: \$850.

Defense Expenditures: \$1.83 billion.

Armed Forces: Army—190,000 (80,000 conscripts);

Navy—50,000 (including naval air and marines); Air

Force—43,000; Paramilitary—141,700.

Reserves—500,000 all services.

Total Regular Armed Forces: 283,000.

When Chatchai Chunhawan, the 67-year-old retired Army general turned millionaire playboy, put together a six-party coalition and was sworn in as Prime Minister many believed he would not last. Today, after more than a year in office, the question is one of how long he will choose to stay in power. Chatchai has endeared himself to the average Thai by providing a heavy dose of confidence and nationalism. He has shored up a fledgling civilian-run democracy—the first in almost 12 years. In fact, military coups, a Thai way of life in the past, may no longer be an option. This string of events has affected the political ambitions of Gen. Chavalit Yongchaiyut, the Army Commander and acting Supreme Armed Forces Commander. Chavalit had been talking about retiring and moving into the Prime Minister's position, but in recent weeks the word is that he will remain in the Army.

Without any sizeable domestic crises in 1989, Chatchai has been able to focus on foreign affairs. He stunned the diplomatic world in January when he invited Premier Hun Sen of Cambodia for talks in an effort to break the diplomatic logjam over the Cambodian issue. Gen. Chavalit has been active in Laos and in late December of last year paid a commercially-oriented visit to Burma. Thailand has reached out to embrace the Communist countries of Laos, Cambodia, Burma and Vietnam, thereby breaking ranks with the Association of Southeast Asian Nations (ASEAN) and to a certain extent, the United States. It is clear that the Thais see Indochina as a treasure house of raw materials that only need Thai money and management to be properly exploited. Exploited may be the right word. Forty years ago 80 percent of Thailand was forested. Today only 18 percent remains covered with trees.

There is a feeling in Bangkok that the Thai-U.S. security alliance is becoming less and less important. U.S. military assistance has dropped from \$107 million in 1985 to \$29 million in fiscal year 1989. The ongoing Thai modernization has felt the reduction in funding levels and the Thai Army, following the precedent begun last year, continues to purchase tanks, armored personnel carriers and artillery from China at "friendship" prices. The shift to Chinese equipment is an extension of a warming Sino-Thai relationship and a desire to be less dependent upon Washington.

With security issues losing relevance and because of a host of domestic political and economic factors in both countries, trade friction is also becoming a focal point in Thai/U.S. relations. Thai economic success is due, in large part, to a surge in exports to America. Trade with the U.S. now

accounts for 17 percent of total exports. Consequently, the U.S. is pressuring Bangkok to open its markets to U.S. goods and to protect American intellectual property rights.

Two years ago, the economic boom of Thailand was news; the fact that good times continue now makes the headlines. In 1988 the economy expanded almost 11 percent and this year it grew just over 10 percent. This performance was in the forefront of rapidly developing Asian economies.

For Thailand, 1989 was a positive year. As long as the Prime Minister can maintain the sensitive balance between the Army and his civilian reformers, Thailand can look forward to 1990 with confidence.

India

Population: 807,432,000.

Government: Federal republic.

Head of Government: Vishwanath Pratap Singh

GDP: \$270.64 billion.

Per Capita Income: \$300.

Defense Expenditures: \$8.40 billion.

Armed Forces: Army—1,100,000, 300,000 reserves; Navy—47,000 including naval air and marines; Coast Guard—2,500; Air Force—110,000 (reserve numbers unknown); Paramilitary—672,000.

Forces Abroad: 47,171.

Total Regular Armed Forces: 1,259,500.

For three days in November, the voters of this South Asian nation went to the polls and provided the world with the largest demonstration of democracy in recorded history. Prime Minister Rajiv Gandhi's Congress (I) party suffered a resounding defeat, losing approximately half of the majority they won in the lower house of parliament in 1984. This is only the second time in the 42 years since independence that the Congress party has not controlled the parliament.

Plagued by accusations of corruption and inefficiency as a result of the Bofors scandal, the Congress party could not secure the electorate. Bofors, a Swedish arms company, paid out \$200 million to Indian middlemen to obtain a \$1.4 billion artillery contract. It has been speculated that much of that money went to line the pockets of high level Congress party officials.

Gandhi resigned as Prime Minister of India on Nov. 29, but was asked by the president to remain as head of a caretaker government until the new prime minister could assume power. Though no party won a clear majority, Vishwanath Pratap Singh, the leader of the opposition National Front, was invited to form a minority government. Mr. Singh, a former finance and defense minister under Gandhi, resigned in protest over government corruption in the Bofors scandal.

Singh takes over as prime minister at a time when India faces some crucial problems left unresolved by the Gandhi government. Foremost on the agenda is the increasing violence caused by both separatist movements and Hindu-Moslem religious tensions. The new prime minister inherited the ongoing violent separatist movement led by the Sikhs in Punjab, as well as a relatively new Moslem separatist movement in the state of Jammu and Kashmir. In his first official visit

outside the capital, Singh visited and prayed at the Sikh's holiest shrine, the Golden Temple, promising to heal "the heavy, bleeding heart" of the Punjab state.

Religious tensions have also flared in past years as a result of the rise in Hindu fundamentalism. In October and November more than 1,000 people were killed in religious violence in the northern regions of the country. These were sparked by a dispute over the desires of the Hindus to build a temple on the site of a mosque. More than 35,000 people, mostly Moslems, were driven from their homes when Hindu mobs, armed with guns, spears, and petrol bombs, burned down their homes.

On the international front the Gandhi government left behind a rather aggressive regional foreign policy. Presently, India is embroiled in diplomatic disputes with neighbors Sri Lanka and Nepal. Since 1987 when Indian troops were introduced in Sri Lanka to quell ethnic violence more than 1,000 of the peacekeeping forces have died. In the case of Nepal, India has imposed a trade embargo and refused to renegotiate trade and transportation treaties until Nepal cools relations with China. One of Singh's first foreign policy statements showed the new government's intention to improve relations with both countries.

Finally, Mr. Singh and his ministers will have to tackle some severe economic problems. The treasury is nearly bankrupt due to an antiquated tax system. The mounting external debt, currently projected at \$56 billion, is one of the world's five highest. Current account deficits of the federal and state budgets will exceed \$10 billion for the year and inflation is continually on the rise.

The road ahead will be tough for Prime Minister Singh, yet after approximately 37 years of stale socialist rule by the Nehru/Gandhi dynasty, India is ready for some fresh ideas.

Pakistan

Population: 106,886,000.

Government: Limited parliamentary democracy.

Head of Government: Prime Minister Benazir Bhutto

GDP: \$39.07 billion.

Per Capita Income: \$350.

Defense Expenditures: \$2.63 billion.

Armed Forces: Army—480,000, 500,000 reserves; Navy—15,000 including naval air, 5,000 reserves; Air Force—25,000, 8,000 reserves; Paramilitary—164,000.

Total Regular Armed Forces: 520,000.

Prime Minister Benazir Bhutto has survived a turbulent year as leader of Pakistan's fledgling year-old democracy. Democracy was reinstated in Pakistan after an eleven-year absence following the death of former President Zia ul-Haq in August 1988. The 35 year-old graduate of Radcliffe College and Oxford University, while successful in the foreign policy arena, has had an increasingly difficult time on the domestic front due to staunch opposition in the National Assembly.

On Nov. 1, Bhutto barely weathered a vote of no-confidence in the 236-member National Assembly by the slim margin of 12 votes. Though unsuccessful in its attempt to unseat Bhutto's governing Pakistan People's Party, the opposition alliance has pledged to continue its efforts to bring down her

government. Led by former primeminister Ghulam Mustapha Jatoi, the opposition has characterized Bhutto's government as "corrupt, inefficient and inept." To date, Bhutto's government has yet to submit a comprehensive legislative agenda let alone enact any major legislation. In her favor, Bhutto has built a good rapport with Army Chief of Staff, Gen. Mirza Aslam Beg, who has affirmed the Army's commitment to democracy.

Many Pakistani voters are becoming disenchanted with the Islamic world's first female head of government, due to a lack of social and economic change promised during the election campaign. Pakistan has one of the highest debt-service ratios of any developing nation. In the 1989-90 budget alone, the allocation for debt-service was larger than the defense budget. Per capita income is approximately \$350 a year, slightly below the \$380 rate of 1987.

While the situation at home remains rather bleak, Prime Minister Bhutto has performed quite well on the foreign policy front in the past year. In June, Bhutto visited the United States for talks with President Bush on the fate of the Afghan freedom fighters as well as much-needed U.S. economic and military assistance. After receiving assurances as to the peaceful intentions of Pakistan's nuclear program, Congress approved more than \$600 million in assistance to Bhutto's government.

Foreign policy successes aside, Bhutto will have to concentrate all her energies on the domestic front in the coming year. Continued political strife and a lack of a coherent domestic agenda could lure the Army out of the barracks thereby threatening Pakistan's democratic experiment.

Afghanistan

Population: 16,362,000 (estimated).

Government: Communist.

Head of Government: President Najibullah

GDP: \$3.70 billion.

Per Capita Income: \$220.

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.

The once-loud cries of pundits and policy-makers predicting an early Mujahedeen victory are now muted. It has been a turbulent year for this mountainous country, devastated by a decade old war. The year began with the closing of the American and other Western embassies in January amid fears of future chaos in the aftermath of the withdrawal of Soviet forces.

On Feb. 15, 1989, true to the Geneva Accords, the last of 120,000 Soviet invasion forces left Afghanistan, ending a nine-year intervention. During the course of their entanglement 15-20,000 Soviet troops were killed in a war that had become increasingly unpopular on the Russian home front. Left behind are some 500 Soviet military advisors as well as an ongoing military airlift supplying the communist regime of

President Najibullah with a massive influx of arms and much needed food.

With the Soviet forces gone the Mujahedeen inaugurated their offensive, the ultimate objective being the capture of the capital city of Kabul. In March the guerrillas staged a major attack against the provincial city of Jalalabad. This was the first major conventional assault by the Mujahedeen who had previously employed hit-and-run and harassment tactics. The guerrillas lay siege to the city for several weeks, yet they were hampered by poor coordination and planning and the absence of unified leadership among the seven Pakistani-based rebel groups who participated in the action.

By late June Najibullah's government troops were on the offensive, driving the rebel forces from the outskirts of Jalalabad. This marked the first instance where government forces had achieved victory without the aid of Soviet troops. The government's triumph stunned most analysts, many of whom had predicted the government's fall within six to 12 months of the Soviet pullout.

The victory raised the battered morale of government forces while further dividing the Mujahedeen factions. Any semblance of unity among the various rebel elements began to deteriorate with the removal of the common unifying factor—the presence of Soviet troops on Afghan soil. This gave rise to factional fighting within the rebel ranks which at times led to the massacre of one faction's soldiers at the hands of another. Rebel infighting has been due to deep-rooted disagreements among the 15 or so rebel factions, each of which seems to harbor its own concept as to the composition of the future government.

While possessing a combined force of 200,000 troops, the Mujahedeen have been hampered militarily by their inability to reach a political consensus. This has been the primary factor in Pakistani Prime Minister Benazir Bhutto's push to convince the United States to seek a negotiated settlement with the Najibullah regime as a means to end this decade-old conflict.

Given that there is little chance for a quick resolution to this conflict, some alternate measure must be found to end the years of violence. Over 1.2 million Afghan people have been killed; there are approximately five million refugees (3.5 million in Pakistan and 1.5 million in Iran); approximately 35 percent of all villages have been destroyed; and the country's agricultural productive capacity has been reduced by more than 50 percent. Its economy and social institutions shattered, Afghanistan will need a massive influx of international assistance in order to survive, if and when the conflict ever ends.

For its part, the United States has begun to quietly reassess its policy towards Afghanistan, raising the possibility of an eventual cessation of military aid to the guerrillas. Senior U.S. officials had warned the resistance during the summer that, if concrete gains were not made by winter, America would have to rethink its policy. This could mean a United Nations negotiated settlement that would include members of the Najibullah regime in a coalition government with the Mujahedeen.

Burma (Myanmar)

Population: 40,356,000.

Government: Military.

Head of Government: Gen. Saw Maung

GDP: \$9.31 billion.

Per Capita Income: \$210.

Defense Expenditures: \$347.16 million.

Armed Forces: Army—182,000; Navy—9,000 including naval infantry; Air Force—9,000; Paramilitary—73,000.

Total Regular Armed Forces: 200,000.

It has been five years since AUSA's global assessment has included any discussion of this Southeast Asian isolationist nation. However, the pro-democracy demonstrations of September 1988 and the resultant brutal military coup and subsequent crackdown compel us to include Myanmar among those countries where security is endangered.

Pro-democracy demonstrations, led by students and Buddhist monks, erupted in most urban centers of Myanmar in the summer of 1988 as an expression of widespread dissatisfaction with the authoritarian socialist regime of Gen. U Ne Win and his Burma Socialist Program Party (BSPP). As the demonstrations gained popular support crowds in excess of 100,000 gathered daily in the capital city of Yangon (Rangoon). With power slipping from the hands of the BSPP, martial law was declared on Aug. 3, 1988. This began a five-day period of rioting around the country in which it is estimated that 3,000 people were killed.

International reaction toward the Yangon government's crackdown was harsh. Led by West Germany, the international community suspended all economic assistance until democratic reforms were instituted. The continued deterioration of the situation resulted in a brutal coup, on Sept. 18, 1988, led by Gen. Saw Maung, commander of the Burmese Army. Unlike most coups, this one was not directed against the state. Rather, it was intended to shore up the incumbent regime. Though Gen. Maung is now recognized as the head of the military government, it is widely believed that Ne Win, the former head of state who seized power in a 1962 coup, remains in effective control of the country.

On June 19, Burma's military government changed the official name of the country to the Union of Myanmar and the name of the capital from Rangoon to Yangon. A government spokesman said the change was intended to reflect the fact that the country was made up of numerous ethnic groups beside the Burmese majority.

On July 20, the military regime put the former defense minister, Gen. U Tin Oo, under house arrest. The same treatment was afforded (Mrs.) Aung San Suu Kyi, leader of the National League for Democracy (NLD) and the leading symbol of opposition to martial law. Aung San Suu Kyi's father U Aung San, assassinated 42 years ago, is regarded as the father of the country for his role in helping Myanmar achieve independence from colonial rule in 1948.

Along with the neutralization of the leadership of the leading opposition party, believed to be three million strong, the Maung government released more than 17,000 convicts in August to provide room in the prisons for its political opponents.

The latest available reports indicate that more than 1,000 NLD members have been jailed. In a report signed by U.S. Ambassador to Yangon, Burton Levin, these jailed opposition figures are said to undergo severe torture during interrogation.

By the beginning of 1988 Myanmar was economically bankrupt and in arrears in servicing its \$6.7 billion external debt. With the economy in tatters much of Myanmar's trade has gone underground. It is estimated that illegal smuggling activity accounts for 40 percent of Myanmar's gross national product. The opium and heroin trade has expanded which helps many of Myanmar's small insurgent groups to finance their private rebellions. By many outside estimates, Myanmar's government devotes 40 to 60 percent of its annual budget to defense, thus choking off any possibility of capital investment for economic reform.

It seems that the only hope for the Burmese people is that most of the old guard led by Ne Win are aging (in their seventies and eighties) and probably won't survive the century. The future for Myanmar beyond Ne Win and his cronies is clouded, however, the struggle for democracy coupled with continued economic despair may be just what is needed to topple the military regime.

Sri Lanka

Population: 16,733,000.

Government: Republic.

Head of Government: President Ranasinghe Premadasa

GDP: \$7.27 billion.

Per Capita Income: \$400.

Defense Expenditures: \$583.29 million.

Armed Forces: Army—40,000 including recalled reservists; Navy—5,500; Air Force—3,700 including active reservists; Paramilitary—23,500; Reserves—25,000 all services.

Total Regular Armed Forces: 47,000 including recalled reservists.

Once known for its beautiful beaches and democratic stability, this island nation off the southwest coast of India has become the South Asian equivalent of Lebanon. During the past ten years, Sri Lanka has been plagued by ethnic violence equivalent to civil war. The year-old elected government of President Ranasinghe Premadasa has struggled to deal with an unwanted Indian peacekeeping force, a violent Marxist revolutionary group and a collapsing economy.

Sri Lanka's ethnic diversity has been the primary cause of the violence experienced in the 1980s. The country is comprised of two main ethnic groupings: 1) the majority Sinhalese Buddhists, who embody 74 percent of the population, and 2) the mainly Hindu Tamils comprising approximately 18 percent of the population. The Tamils, claiming discrimination at the hands of the Sinhalese, have for a number of years fought to establish a separate independent state in the northern part of the country. Since 1983, it is estimated that as many as 12,000 people may have died as a direct result of this conflict.

Unable to resolve this decade-old hostility, former President Junius Richard Jayewardene requested Indian peacekeeping

troops as a means of imposing a cease-fire. Since their arrival in July 1987, the Indian troops have had only partial success in their attempts to resolve the conflict. Some Tamil separatist organizations did lay down their arms in accordance with the Indian-imposed ceasefire. As they joined the political process, they were given greater autonomy over Tamil-populated areas. However, the largest of these groups, the Tamil Tigers, fought the Indian occupation and viewed those who laid down their arms as traitors. In an effort to offer those Tamils who joined the political process some protection, the Indians armed and trained the Tamil National Army. The Army is a private force that is looking to take over police duties in Tamil areas upon the withdrawal of Indian troops. The impetus behind the Army is the Sri Lankan government's inability to protect the Tamil people from the Tamil Tigers when the Indian troops leave.

During June, President Premadasa called for the removal of all Indian troops, viewing their continued occupation as an infringement on Sri Lankan sovereignty. Indian Prime Minister Rajiv Gandhi in August removed 2500 troops as a gesture of recognition of Sri Lankan autonomy and agreed to withdraw all Indian forces by the new year. Presently, there are 25,000 Indian troops, of the initial 50,000, remaining in Sri Lanka.

Besides ethnic strife, President Premadasa must contend with an extremely violent Sinhalese nationalist group, with Marxist roots, known as the People's Liberation Front (JVP). Largely quiet until the arrival of Indian troops, the JVP launched a violent campaign against the peacekeeping force. In the past two years, beginning with the assassination of political figures and their supporters, more than 6000 people have died as a result of the JVP's attempts to overthrow the government.

Economically, Sri Lanka is on the verge of collapse. Inflation is unofficially estimated at 30 percent and rising. In the light of this economic calamity, President Premadasa saw fit to promise 1.4 million poor families a monthly stipend equivalent to \$80. Where the money will come from nobody knows, though certainly not from the depleted state treasury.

With the emergence of another armed band, in the form of the Tamil National Army, it does not seem likely that peace will dawn on Sri Lanka in the near future. A decade of military conflict has solved little. If the Sri Lankans wish to emerge from the present political and economic chaos the stage will have to be set for negotiation—a prospect that does not seem likely for now.

Australia

Population: 16,510,000.

Government: Democratic federal state system.

Head of Government: Prime Minister Robert James Lee Hawke

GDP: \$260.68 billion.

Per Capita Income: \$11,100.

Defense Expenditures: \$6.32 billion.

Armed Forces: Army—31,300 (25,000 reserves); Navy—15,700 including air arm, 1,220 reserves; Air Force—22,600, 1,360 reserves; Paramilitary—Bureau of Customs (no numbers).

Forces Abroad: 419.

Total Regular Armed Forces: 69,600.

Australia enters the 1990s saddled with a myriad of unsettling economic problems left over from the previous decade. While some success has been achieved under the leadership of Prime Minister Bob Hawke's Labor Party, much more must be accomplished to ensure stable and vibrant economic growth in the new decade.

Hawke has done a good job in trimming public-sector spending which has declined from 42 percent of GDP in 1983 to the present rate of 36 percent. Other successes include a government budget that is in the black and a higher percentage of GDP going for investment than at any time in the past 40 years. Yet this is only the tip of the economic iceberg.

The country's foreign debt—the world's fourth largest behind the United States, Brazil and Mexico—ballooned to \$86 billion in 1989. Increased borrowing has raised consumer demand and increased imports which in turn have sent the current-accounts deficit soaring to five percent of GDP. In the first quarter of 1988 interest rates hovered at approximately 15 percent and have now gone above 20 percent. Wage increases have not kept pace with the rise in the consumer price index, which stood at about 7.6 percent for 1989.

Moreover, domestic airline pilots went out on strike calling for a 30 percent pay increase. The effects of the strike have been deleterious, costing Australia's tourist industry, its largest foreign currency earner, close to \$400 million through September.

All this does not bode well for Hawke and his Labor Party, who are scheduled to face the electorate sometime in 1990. If he is to win an unprecedented fourth term as Australia's head of government, he will have to find a way to instill some stability into an extremely volatile economy. If Australia is to move out of its present economic morass it must find a way to decrease consumer spending and increase savings rates. Also, Australia must abandon its over-reliance on commodity exports and shore up its inadequate industrial sector with an influx of modern technology and entrepreneurial ingenuity.

Australia will have to experience some belt-tightening in the coming year. The biggest question they will have to face is who will be in charge, and that will be decided in this coming year's elections.

New Zealand

Population: 3,347,000.

Government: Parliamentary.

Head of Government: Prime Minister Geoffrey Palmer

GDP: \$40.53 billion.

Per Capita Income: \$7,750.

Defense Expenditures: \$897.06 million.

Armed Forces: Army—5,700, 1,300 reserves; Navy—2,500, 800 reserves; Air Force—4,200, 800 reserves; Reserves—6,800 (territorial).

Forces Abroad: 73.

Total Regular Armed Forces: 12,400.

Prime Minister David Lange, citing ill health, resigned his post as head of New Zealand's parliamentary government on Aug. 7.

As the architect of New Zealand's 1984 nuclear-free policy, Lange has been a rather controversial figure on the international political scene. The declaration of New Zealand as a nuclear-free zone led to the near unraveling of the ANZUS defense pact between the United States, Australia and New Zealand. In turn, relations between Washington and Wellington soured over Lange's refusal to allow U.S. ships to use New Zealand's ports because of the American policy of not disclosing whether specific ships carry nuclear weapons or not.

Within his own party, Lange fueled the flames of tension when, in Dec. 1988, he forced the resignation of his free-market finance minister, Roger Douglas. Douglas was the mastermind behind New Zealand's policy reforms which spurred economic revival. Once the developed world's most socialist-minded, market-protected, over-regulated and stagnant economy, New Zealand has lately shown signs of a vibrant expanding free-market economy. Douglas' policy reforms have led to: a decrease in the consumer price index to just four percent; a decrease in the current account deficit to just 1.9 percent of Gross Domestic Product (the lowest in 15 years); a 1.3 percent real growth rate in GDP for 1989; and a projected growth rate of 1.9 percent for the new year.

Fearing a deterioration of the economy and lagging in opinion polls for the upcoming 1990 elections scheduled for October, Douglas' parliamentary colleagues voted him back into the cabinet on Aug. 3. Three days later Lange resigned and was replaced by Deputy Prime Minister Geoffrey Palmer. The change in leadership only momentarily raised U.S. hopes of a possible reconsideration of New Zealand's nuclear-free policy. These hopes were dashed when, only a few days after his ascent to power, Palmer affirmed his support for his country's popular anti-nuclear policy.

The future for Prime Minister Palmer and the Labor Party will be tied to the upcoming election. If he can unite a divided party and continue the free-market economic reforms that have brought newfound prosperity to New Zealand, Palmer will be in a good position to lead his party to an unprecedented third consecutive electoral victory.

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN — IN SEARCH OF STABILITY

In the 1988 global assessment, AUSA noted: "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." Though the circumstances have changed in the past year, including the extreme significance of the U.S. liberation of Panama and the downfall of Noriega, the sentiment remains essentially true.

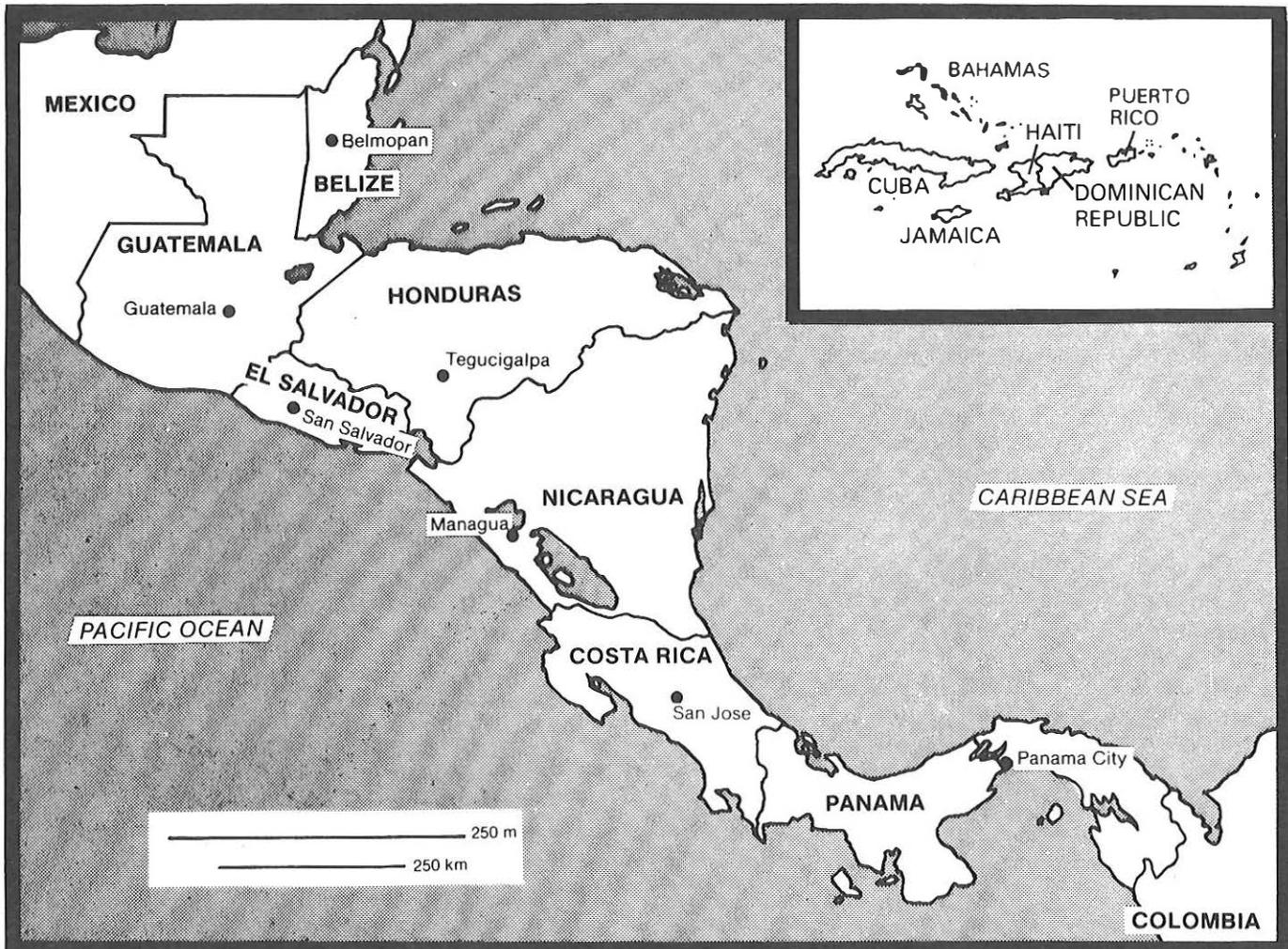
Drug trafficking remains a problem of major proportions, despite stepped-up efforts to eradicate it. Poverty is still widespread, even in stable, democratic Costa Rica. In several cases, the military remains dominant in politics, even in nations not experiencing insurgencies. In El Salvador, the communist insurgency pursued its attempt to depose the legitimately-elected democratic government, while the people of Nicaragua continued to hope for the institution of democracy and an end to years of violence and poverty.

The 1987 Arias Peace Plan has still not proved entirely effective, though the Central American leaders keep trying. Nicaraguan elections were held as scheduled in February 1990, with the startling result that a loose assemblage of about 14 dissident groups, operating under the banner of the National Opposition Union, emerged victorious over the ruling Sandinista Party. Mrs. Violeta Chamorro is supposed to assume Nicaragua's presidency in April. However, the degree to which Daniel Ortega and the Sandinista government will surrender power remains a question. Though 1989 showed that communist governments will voluntarily abdicate, Ortega has indicated a reluctance to relinquish the power he gained as part of the revolutionary generation of his country.

Fidel Castro, the hemisphere's senior leader, showed that he is grimly determined to keep glasnost and perestroika out of Cuba. His indiscretions in aiding the Salvadoran insurgents in their efforts to topple the government even brought on the consternation of Gorbachev, who has proclaimed that it is no longer Soviet foreign policy to export revolution. While 1989 has shown that predictions can be frivolous, Cuba is likely to remain substantially unchanged throughout the first year or so of the new decade. Elsewhere in the Caribbean, the vagaries of nature were visited upon a number of island-nations in the form of Hurricane Hugo which wreaked havoc wherever it landed.

On the brighter side, in Mexico, our densely populated neighbor to the south, President Salinas seems to be sincerely working to reform his country's economic and political systems. And to help him along, the United States and other foreign creditors helped Mexico to structure a first-of-its-kind debt reduction package. If this is successful, it may point the way for the other debt-burdened nations of the region.

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN



Mexico

Population: 84,272,000.

Government: Federal republic.

Head of Government: President Carlos Salinas de Gortari

GDP: \$178.24 billion.

Per Capita Income: \$1,830.

Defense Expenditures: \$670.06 million.

Armed Forces: Army—105,500 (60,000 conscripts);

Navy—28,000 including naval air and marines; Air

Force—8,000; Paramilitary—120,000; Reserves:

300,000 all services.

Total Regular Armed Forces: 141,500 (60,000 conscripts).

Of all the developments in Mexico that are of interest to the United States, the most closely watched are the new government's handling of Mexico's economic and political problems. There is a need to improve the general standard of living of the Mexican people, and there is a clamor for real political pluralism. How Mexico handles its part of the cross-

border problems of drug smuggling and illegal immigration is also of great interest.

High unemployment in Mexico (19 percent in 1988) has always contrasted with the need in the U.S. West and Southwest for workers willing to take low-paying urban and agricultural jobs. Extensive use of Mexicans as migrant agricultural workers has added to the temptation for Mexicans, unable to find work at home, to enter the United States illegally.

While President Carlos Salinas de Gortari's government has pledged to cooperate with the United States in fighting the illegal drug trade, the government continues to be criticized for laxity in investigating the involvement in drug trafficking of high-ranking military and police officials.

Mexican officials have again turned to the United States, their largest trading partner, for help in solving a massive external debt problem. In July, the government successfully sought agreement to restructure its \$100 billion foreign debt, thus reducing yearly payments that had cost six percent of GDP in 1989 (down from 16 percent in 1987). Mexico was the

first country to enter into this type agreement—the developing country strategy proposed by U.S. Treasury Secretary Nicholas E. Brady. In addition to foreign policy considerations, Mexico was chosen as a test case because the government had taken political risks at home to implement economic and political reform.

President Salinas has moved to decrease the economy's heavy state ownership through privatization of 800 businesses, including the telephone company and much of the nation's huge agri-business. Price, wage and currency controls have been reduced somewhat. This in turn has cut inflation from 160 percent in 1987 to an estimated 20 percent in 1989.

Salinas's efforts are constrained, however, by the continuing power of his own Institutional Revolutionary Party (PRI) which has ruled Mexico since the 1920s.

Salinas walks a narrow path between the entrenched politico-economic system and the potential radicalism of a growing opposition. The future stability of the U.S. southern border could be dependent upon his success or failure.

Guatemala

Population: 8,789,000.

Government: Republic.

Head of Government: President Marco Vinicio Cerezo

GDP: \$7.90 billion.

Per Capita Income: \$950.

Defense Expenditures: \$106.32 million.

Armed Forces: Army—40,000, 35,000 reserves; Navy—1,200 including marines, some reserves; Air Force—1,000, 200 reserves; Paramilitary—612,800.

Total Regular Armed Forces: 42,200.

Four years into Guatemala's first civilian government since 1954, President Vinicio Cerezo struggles daily to consolidate the democratic process. His task is made more difficult by extreme pressures from many quarters: leftist guerrillas, right-wing extremists, drug traffickers, over-zealous government security forces and dissidents in the military ranks.

Economic problems, the slow pace of land reform and the lack of state-provided services such as education, sanitation and housing, have caused many Guatemalans to become nostalgic for military governance. Gen. Ephraim Rios Montt, associated with some of the worst aspects of right-wing repression in 1982 and 1983, is mentioned as a leading prospect in the November 1990 elections though he has not yet announced as a candidate.

In May, the second coup attempt in less than a year was quashed by troops loyal to President Cerezo. In other circles Cerezo has come into sharp criticism for failing to curtail the military's influence over Guatemalan life. That influence remains substantial, even to the extent of almost complete domination over the lives of the country's large Indian population in the remote provinces.

Guatemala's newest scourge comes from its expanding illegal drug trade. In the past two or three years, marijuana growers have been driven west from Belize, only to settle in Northeastern Guatemala. Similarly, Mexican poppy growers,

forced to flee across Guatemala's western border, have expanded their acreage and are thriving. As in other Latin countries, the heroin producers have created their own protective services by hiring the guns of local leftist insurgents.

Guatemala was one of four Latin American nations to abstain in the December 1989 Organization of American States vote criticizing the United States invasion of Panama.

There are many in Guatemala who see the transition from military to civilian rule as faltering. For Guatemala, the real test comes next November. If Cerezo's government can hold the confidence of the generals, survive the growing movement to the extremes and oversee a peaceful transfer of power, the future of Guatemala could be promising. If not, the military will undoubtedly feel the need to again exercise its power to save the country from chaos.

Honduras

Population: 4,914,000.

Government: Democratic constitutional republic.

Head of State: President Leonardo Callejas

GDP: \$4.40 billion.

Per Capita Income: \$810.

Defense Expenditures: \$75.00 million.

Armed Forces: Army—15,400 (11,000 conscripts); Navy—1,200 including marines (900 conscripts); Air Force—2,200 (800 conscripts); Paramilitary—4,500 public security forces; Reserves—50,000 all services.

Total Regular Armed Forces: 18,700 (13,200 conscripts).

Bordering on both El Salvador and Nicaragua, Honduras has been forced to contend with the overflow of both their internal conflicts while attempting to solidify its own fledgling democracy. At home, general elections were successfully held in November, while regionally, the Honduran government continued to give its support to the Arias Plan for peace in Central America.

On Nov. 26, the Honduran people went to the polls to elect a new president. The voting was heavy with a reported 1.9 million of the 2.2 million registered voters participating. In the end, Rafael Leonardo Callejas, of the opposition National Party, defeated incumbent President Carlos Flores of the Liberal Party. This marked the first time in 57 years that an opposition candidate assumed the mantle of power in a peaceful vote. Callejas' must now face up to the problems of a stagnant economy, a burdensome debt and the strains caused by internal conflicts of his two immediate neighbors.

For years the Nicaraguan contras have been using Honduras as a base of operations. This has given rise to border skirmishes between the Honduran and Sandinista armies in the past. Honduras has also been saddled with more than 500,000 civilian refugees from El Salvador and Nicaragua.

Earlier in the year, a senior contra commander was brutally murdered just north of Tegucigalpa, the Honduran capital. Two weeks later, a retired chief of the Honduran armed forces, Gen. Gustavo Alvaez Martinez, was gunned down in the capital. While a left-wing radical organization claimed responsibility for the killing, there was speculation that it

might have been carried out with Sandinista encouragement. Leftist violence was particularly visible when a July bombing injured seven off-duty U.S. servicemen.

In August talks, the five Central American leaders (the presidents of Honduras, El Salvador, Guatemala, Costa Rica and Nicaragua) agreed to disarm and close the contra bases in Honduras and to repatriate the guerrillas and their families in exchange for free and fair Nicaraguan elections. Both the former and the newly elected Presidents Callejas have stated that they want the Contras removed from Honduran soil. By fall little real progress had been made toward that end.

With so many internal problems of their own, Hondurans have had to spend the bulk of their efforts coping with the spillover from the internal conflicts of Nicaragua and El Salvador. If the present situation persists, the new year will provide little relief to Honduras' deteriorating domestic situation.

El Salvador

Population: 5,923,000.

Government: Republic.

Head of Government: President Alfredo Cristiani Buckard

GDP: \$4.74 billion.

Per Capita Income: \$860.

Defense Expenditures: \$160.00 million.

Armed Forces: Army—40,000 (some conscripts); Navy—1,300; Air Force—2,200; Paramilitary—25,100.

Total Regular Armed Forces: 56,000 (including 12,500 civil defense force).

In 1989, El Salvador's long-simmering communist insurgency erupted into its worst fighting of the 1980s.

Earlier in the year, Salvadorans in large numbers had turned out to vote in an election that resulted in the peaceful transition of power from President Jose Napoleon Duarte to Alfredo Cristiani. Before and after the election, the rebels and the government had been talking regularly. The right-wing death squads, that had plagued the country earlier in the eighties, had been relatively inactive. When those talks broke down in November, it appeared that the rebels had used them as a mask for their real motive—an all-out offensive.

Much of the fighting, unusual for this basically rural centered conflict, took place in the capital of San Salvador where an estimated 3,500 members of the communist Farabundo Marti National Liberation Front (FMLN) tried in desperation to depose the democratically elected government. At least 208 government troops, 676 guerrillas, and untold hundreds of civilians were reported killed in the first and most intense week of fighting. Thousands more were wounded.

After the fighting was initiated, the FMLN guerrillas had hoped that the people would rise up and join their cause, yet none did. The people's support for the government was far more entrenched than originally thought.

During the fighting, President Alfredo Christiani announced his determination to finally destroy the FMLN. Even though the final estimated death toll for the guerrillas exceeded 1,000, their imminent destruction was not forthcoming.

One chilling episode occurred during the first week of the rebel offensive. Six Jesuit priests, their housekeeper and her 15 year-old daughter were savagely murdered outside the priests' quarters. Though no group claimed responsibility, the brutal act ignited the protests of human rights groups around the hemisphere. A right-wing death squad, possibly within the military, was suspected. While the slaying to the priests did nothing to aid the Salvadoran rightists' case, neither did the FMLN offensive give the leftists the popular uprising they had sought. In fact, its failure gave evidence that the Salvadoran people have no intention of trading their young democracy for retreated Marxism.

In the first month of 1990, President Cristiani announced that nine government soldiers, including a colonel who headed the Salvadoran military academy, had been arrested on suspicion of involvement in the slaying of the priests.

Nicaragua

Population: 3,704,000.

Government: Republic under tight military control.

Head of Government: President Daniel Ortega (see note)

GDP: \$3.41 billion.

Per Capita Income: \$830.

Defense Expenditures: \$1.42 billion.

Armed Forces: Army—73,500 (30,000 conscripts), 134,000 reserves; Navy—3,500 (some conscripts), 2,500 reserves; Air Force—3,000; Paramilitary—2,000.

Total Regular Armed Forces: 80,000 (30,000 conscripts).

Mixed signals emerged from the Marxist Sandinista government this past year concerning its commitment to the Central American regional peace process. Domestically, Nicaraguan President Daniel Ortega Saavedra seemingly kept his promise, made during meetings in Feb. 1989, to the other Central American presidents, that he would release all but 100 or so former members of the Somoza national guard that he had been held in prison for the last ten years.

Most of the activity in Nicaragua in 1989 centered around the February agreement for the disarmament of the contras and conduct of free elections. At the end of the year, the contras had still not completely disbanded, claiming irregularities in the government's election procedures and intimidation of opposition parties by the incumbent regime.

In April, Ortega set the date of the election for February 1990. Giving in to external pressure, he established elaborate procedures for outsiders to monitor the voting and, despite opposition charges of Sandinista delaying tactics, he permitted open political rallies and the use of print and broadcast media by some opposition candidates.

In November, as the campaign heated, Ortega called a halt to a government cease-fire with the contras by announcing full-scale offensive operations. Truce talks, which lasted throughout the month, proved fruitless. The Sandinista government claimed that the contras had been violating the cease-fire all along. However, some observers believe the offensive was initiated to divert attention away from Nicaragua's failing economy.

Throughout the year the Sandinistas continued in their

efforts to destabilize the democratically-elected government of El Salvador. Hard evidence was obtained that the Sandinistas were supplying the communist insurgents in El Salvador with weapons when a Nicaraguan plane crashed in El Salvador. It was loaded with rifles and Soviet-made anti-aircraft missiles. It is still not certain whether the Sandinistas acted alone or were aided and supported by the Cubans—their long-time partners in the export of revolution. The Soviets, however, claimed not to have known about nor authorized any such aid.

(EDITORS NOTE: On Feb. 25, 1990 Nicaraguans voted in what was widely acclaimed as a free and fair election. Next day most of the world was startled to learn that Mrs. Violeta Chamorro, the candidate of a coalition of more than a dozen opposition groups, had overwhelmingly defeated the incumbent president, Daniel Ortega. At first, Ortega appeared gracious in defeat, but later public statements raised doubts as to the extent his entrenched communist bureaucracy will be willing to relinquish power.)

Costa Rica

Population: 2,831,000.

Government: Democratic republic.

Head of Government: President Oscar Arias Sanchez

GDP: \$4.70 billion.

Per Capita Income: 1,160.

Defense Expenditures: \$33.36 million.

Security Forces: Civil Guard—4,500; Rural Guard—3,200.

Total Security Forces: 7,700.

Costa Rica, long known as the “Switzerland of the Americas” because of its internal political stability and peaceful relations with its Central American neighbors, has a history of democracy dating back 100 years. While he has continued to be both a regional and international diplomatic force, Costa Rican President Oscar Arias Sanchez began to experience problems at home in 1989.

Presently, one third of all Costa Ricans who live in rural areas exist below the poverty level. This has spawned rural flight, which in turn has heavily encumbered urban areas whose infrastructures are not capable of servicing the massive migration. The government has also built up a hefty per capita debt load with little relief in sight and has been hard pressed to maintain a customarily high level of social spending along with the large government bureaucracy needed to support it.

Costa Rica has no standing Army, having abolished it in 1948, and relies on a Civil Guard for defense and police functions. This past year, though, Arias asked the United States for military advisors to help train 75 Costa Ricans in military skills and techniques.

Progress on the regional peace front consisted mainly of an agreement among the presidents of Costa Rica, El Salvador, Honduras, and Nicaragua for the repatriation and disarming of the Contra freedom fighters in return for open elections in Nicaragua.

In April, after meeting with President Bush, Arias endorsed a bipartisan plan for humanitarian aid to the contras, while calling on Cuba, Nicaragua and the Soviet Union to cease all

military assistance to insurgent groups in the region.

Elections will be held in Costa Rica in 1990, carrying on their valued tradition of democratic rule. The transition to a new administration is almost certain to be peaceful.

Panama

Population: 2,353,000.

Government: Constitutional democracy.

Head of Government: President Guillermo Endara

GDP: \$4.79 billion.

Per Capita Income: \$2,240.

Defense Expenditures: \$104.60 million.

Armed Forces: Army—3,500 National Guard; Navy—400; Air Force—500; Paramilitary—11,000.

Forces Abroad: 19.

Total Regular Armed Forces: 4,400.

The last ten days of December 1989 saw several years of United States frustration with Panamanian strongman Gen. Manuel Antonio Noriega come to a head, as American military forces invaded Panama, ousted Noriega and installed the elected government.

Prior to U.S. action, steadily increasing economic sanctions against Panama were taking a toll on the country's economy. Though deleterious to the state, the sanctions did little to break Noriega's iron-like grip on power. Panama's May 1989 elections, won by the opposition despite Noriega-ordered political violence, were quickly negated by the dictator's thugs. Instead, his hand-picked candidate was declared the victor of the presidential elections by Noriega's puppet legislature.

On Saturday, Dec. 16, Noriega had his puppet legislature declare that a state of war existed between Panama and the United States while also having himself declared the “Maximum Leader” of Panama. Almost immediately, his troops began harassing Americans. An American marine was killed and U.S. Navy officer and his wife were abducted, harassed, beaten, and the wife threatened with sexual assault. The next day President Bush ordered the planning of the invasion. On Tuesday, Dec. 19, additional troops were spirited to U.S. bases in the Panama Canal Zone. At one AM Wednesday morning, American troops began the liberation of Panama.

The Panamanian Defense Forces (PDF) quickly collapsed as an organized force, yet there was more resistance than originally expected. During the ensuing fighting 28 U.S. servicemen, two American civilians, 300 Panamanian soldiers and hundreds of civilians were killed. Noriega, after several days on the run, sought political asylum on Christmas Eve at the Vatican Embassy in Panama City. He has since surrendered to U.S. authorities and is now awaiting trial on federal drug charges in Florida.

International political reaction to the invasion was predictable. The Organization of American States voted 20-to-one to condemn the invasion with Costa Rica, El Salvador, Honduras and Guatemala abstaining. The USSR voted to condemn the invasion in the United Nations Security Council, though it hastened to add that the action would not affect the

present course of relations with the United States. Most Latin American countries could not publicly endorse the American action, but with the exception of Cuba and Nicaragua, few seemed sorry to see the drug-dealing dictator go.

An important question remaining after the fighting was how best to aid Panama in its recovery from years of corruption and mismanagement by Noriega, as well as repairing the damage caused by the liberation. One thing is sure, most Panamanian institutions, including the police, customs, and the judicial system, had been tightly held in Noriega's hands and will have to be rebuilt, starting with the PDF.

Cuba

Population: 10,479,000.

Government: Communist dictatorship.

Head of Government: President Fidel Castro.

*GSP: \$35.42 billion.

Per Capita Income: \$1,590 (1983).

Defense Expenditures: \$2.24 billion.

Armed Forces: Army—145,000 (60,000 conscripts), 15,000 ready reserves; Navy—13,500 (includes naval infantry (8,500 conscripts), 8,000 reserves); Air Force—22,000+ (11,000 conscripts), 12,000 reserves; Paramilitary—1,469,000.

Forces Abroad: 45,600.

Total Regular Armed Forces: 180,500 (79,500 conscripts).

*Gross Social Product: excludes the so-called 'non-productive' service sectors of the economy, such as education and housing which are included in GDP.

Fidel Castro, now the world's longest standing communist dictator, celebrated his 31st anniversary in power on January 1, 1990. Throughout most of his rule Castro has remained a throwback to the Brezhnev-style of Marxist leadership so common in the early 1960's. Because of that, the desire for freedom, so pervasive in Eastern Europe today, has little likelihood of occurring as long as Castro retains power.

Castro's ardent opposition to reform, includes banning the sale of Soviet publications and has given rise to tensions between Havana and Moscow. These tensions, most apparent during Gorbachev's Cuban visit in April, center on Cuba's continuing practice of exporting revolution, most notably their aid to the Marxist insurgency which is trying to topple the democratic government of El Salvador. Gorbachev's latest stated policy rules out foreign military adventurism. Yet Castro stands in defiance, denouncing the Soviet break from the path of true communism. At the same time, Castro has cause to be worried over the possible withdrawal of Soviet economic handouts.

Any serious cutback in Soviet aid to the Castro regime would cause major economic upheaval in Cuba. While Castro's revolution admittedly improved some parts of life for Cubans, particularly in health care and education, it has done little to raise the general overall standard of living. The economy is stagnant, allowing for little hope of future improvement and the people experience constant shortages and rationing of staple goods.

The return of Cuban troops who fought in Angola has

raised Castro's fears of military discontent. This past summer he arrested Gen. Arnaldo Ochoa Sanchez, the popular commander of Cuban troops in Nicaragua, Ethiopia and Angola and several other high ranking officers. They were charged with drug smuggling and were convicted and executed in a show trial held for the purpose of purging the ranks. The trial seemed motivated by Castro's desire to eliminate a possible rival—one who had publicly advocated Gorbachev-style reforms—and to set an example for Angola veterans that dissent will not be tolerated. In fact, even the Nicaraguans recognized the purge-like nature of the trial by refusing Cuba's request to strip all Nicaraguan military honors bestowed upon Gen. Ochoa.

As the new decade begins Castro seems an unlikely candidate for change. Yet, with a stagnant economy and the return of approximately 50,000 troops from Angola, most with little prospect of employment, he has to be worried over the near future.

Barring a cutoff of Soviet economic aid Castro's position will be secure, though it remains unclear how long the Soviets will tolerate such an enormous drain on their own dwindling resources.

Haiti

Population: 5,507,000.

Government: Military.

Head of Government: LTG Prosper Avril

GDP: \$1.95 billion.

Per Capita Income: \$360.

Defense Expenditures: \$30.54 million.

Armed Forces: Army—7,000; Navy—250 Coast Guard; Air Force—150.

Total Regular Armed Forces: 7,400.

Not much has changed in Haiti over the last couple of decades, save the names of a string of extremely repressive dictators. As was reported last year, Gen. Henri Namphy was replaced in a coup by Lt. Gen. Prosper Avril. About the only difference between Avril and Namphy is that the former has deported most of the opposition to his rule rather than killing them as Namphy did.

The past year saw the further deterioration of the poorest nation in the Western Hemisphere. In April, Avril survived a coup attempt, generated by a group angered at his dismissal of four fellow officers accused of drug trafficking. The four officers were fired one day after the United States warned Avril that if Haiti wanted a restoration of U.S. economic assistance, his government had better crack down on Haitian involvement in the drug trade, restore civilian rule and improve his country's abhorrent human rights record.

Whatever the future holds for Haiti, little of it appears bright. Even if elections are held, a new leader would have to contend with a near-bankrupt economy—where over 55 percent of the people are unemployed—as well as the lack of any credible stable institutions from which to govern.

Jamaica

Population: 2,463,000.

Government: Independent state with Parliament.

Head of Government: Prime Minister Michael Manley

GDP: \$3.18 billion.

Per Capita Income: \$940.

Defense Expenditures: \$26.06 million.

Armed Forces: Army—2,500, 800 reserves; Navy—200

Coast Guard, 50 reserves; Air Wing—150, 20 reserves.

Total Regular Armed Forces: 2,850.

The year for Jamaica was marked by the peaceful transition of power as a result of Prime Minister Edward Seaga's defeat in the February parliamentary elections. The former prime minister, Michael Manley, and his left-leaning People's National Party won an overwhelming victory over Seaga and his right-wing Jamaican Labor Party.

Though many of Jamaica's current economic problems can be traced to the policies of the Manley government of 1972-1980, Seaga was blamed for a lack of substantial economic improvement coupled with the harshness of the austerity measures he had imposed. Admittedly, Seaga lost a certain amount of popularity in rural areas as a result of his initiation of a United States-backed program aimed at elimination of the marijuana trade in Jamaica.

The extra time provided by a three-month delay in the elections turned out to be a boon for Manley. He used the time to distance himself from the Marxist/Socialist doctrinaire policies of his previous term in office—the very same policies considered responsible for Jamaica's economic near destruction. The new picture Manley painted was that of a reformed socialist and a champion of free-enterprise policies, although he still promised increases in social programs.

The economy had not improved and so on Feb. 9, Manley and his party won 44 of the 60 seats in the Jamaican parliament. The election was notable for the extremely low level of political violence. Only 12 deaths were attributable to the campaign. In the 1980 election, when Manley lost to Seaga, approximately 800 people died in election-related violence.

For all his political rhetoric, Manley, in his first few months in office, has had to deal with his country's economic realities. Jamaica, though growing at an annual three percent rate, has an enormous foreign debt burden, presently approaching \$4 billion. In May the government, in an effort to decrease subsidies, announced a five-to-50 percent price increase on basic food items. The following month, the government obtained a six month extension from the International Monetary Fund in order to comply with economic adjustment measures necessary to obtain further funding. The delay in compliance was granted because of the damage caused by Hurricane Gilbert in 1988.

If Prime Minister Manley is truly the changed man he professes to be, Jamaica will be better for it. If not, the people will once again experience the economic misery he brought to bear upon the country during his previous administration.

SOUTH AMERICA — THE MARCH TO DEMOCRACY CONTINUES

While the world looks upon the events that have taken place in Eastern Europe with wonder, it should be remembered that the decade of the 1980s was the period in which a democratic renaissance blossomed throughout the South American continent. The evolution toward political pluralism was further strengthened by a renewed and unremitting commitment to fight the narco-terrorists of the drug cartels. The specter of debt, long a destabilizing factor in this region, may be lessened in the coming decade as more countries abandon rampant nationalism for the economic promise inherent in newly-instituted free market policies.

Though less publicized, the resurgence of pluralistic government on the continent is no less spectacular than the present Eastern European situation. Since 1979, eight South American nations have shed the shackles of dictatorships for the freedom provided by representative government. They are:

| | |
|-------------|------|
| * Ecuador | 1979 |
| * Peru | 1980 |
| * Bolivia | 1982 |
| * Argentina | 1983 |
| * Uruguay | 1985 |
| * Brazil | 1985 |
| * Paraguay | 1989 |
| * Chile | 1989 |

Even more significant is the solidification of democratic institutions within the fabric of society. A good number of these countries held elections this past year. For several, it marked the first successful peaceful transition of power, further ensuring and reinforcing the practice and process of democracy.

The quest for democracy was aided by a refurbished commitment on the part of certain governments, Colombia's in particular, to seriously combat the drug barons. Led by President Barco, the people of Colombia determined to take the war on drugs directly to the traffickers. Drug cartel thugs were arrested by the thousands, with the most dangerous of those being extradited to the United States to stand trial.

On the economic front, the leaders in Bolivia and Chile have demonstrated to the rest of the continent that the debt crisis can be brought under control. Both nations have altered their internal economic structures through the implementation of market-oriented policies.

If the continuance of the South American democratic renaissance is to be ensured, an economic resurgence on the continent must follow. Countries such as Argentina and Brazil—racked with debt and economically paralyzed—can no longer rely on a state-subsidized economy. If they and other economically-depressed nations of the region really hope to escape their economic morass, they need only look to neighbors Bolivia and Chile for the blueprint.

SOUTH AMERICA



Colombia

Population: 30,685,000.

Government: Republic.

Head of Government: President Virgilio Barco Vargas

GDP: \$38.59 billion.

Per Capita Income: \$1,250.

Defense Expenditures: \$374.13 million.

Armed Forces: Army—111,400 (38,000 conscripts), 100,000 reserves; Navy—12,000 including marines (500 conscripts), 15,000 reserves; Air Force—7,000 (1,900 conscripts), 1,900 reserves; Paramilitary—81,500.

Forces Abroad: 500.

Total Regular Armed Forces: 130,400 (40,000 conscripts).

The year began much the same as the last for Colombia's people with drug violence continually escalating and the rule of law rapidly deteriorating. It almost seemed that the government of President Virgilio Barco Vargas had come to tolerate the litany of carnage that had engulfed his nation. In January, 12 members of a judicial commission investigating past drug murders were massacred; February marked the murder of Jose Antiquera, a leftist leader; in later months hundreds of judges and law enforcement officials were murdered, and scores of newspapers, government buildings and private homes were bombed.

On 18 August Luis Carlos Galan Samiento—leader of the New Liberalism Party and likely successor to Barco—was assassinated during a political campaign rally. It is widely believed that Galan was gunned down because of his fierce opposition to the drug cartels. The brazen brutality with which the murder was carried out was the catalyst that solidified public and government will towards the imposition of quick and decisive action against the drug cartels. Two days later President Barco declared a state of emergency, which provided him room to operate. Almost immediately, Barco revived the extradition treaty with the United States that had been declared unconstitutional by the Colombian Supreme Court in 1987.

During the ensuing month the police and armed forces conducted more than 2,000 raids resulting in more than 11,000 arrests and the seizure of over 1,000 weapons, 20,000 rounds of ammunition, in excess of 500 cars and close to 400 airplanes and helicopters. Hundreds of millions of dollars in property was confiscated from the narco-barons.

The traffickers responded by declaring all-out war on the government, and embarking on a rampage of violence that left over 200 people dead and more than 1,000 people injured. They even bombed a commercial airliner outside Bogota, killing 107 people.

By the end of the year many Colombians were weary of the war and held little faith in the government's ability to defeat the drug cartels. Then, on December 15th, the government won a notable victory. Reputed drug kingpin Jose Gonzalo Rodriguez Gacha, one of the leaders of the Medellin cartel, was killed. His son and 15 bodyguards were also killed in the shoot-out with police.

That victory seemingly turned the tide in favor of the government by putting the drug barons on the run. At the end of the year, the "extraditables" sent a communique to the

government through two released kidnapped victims. In essence the traffickers admitted defeat by stating, "We accept the triumph of the state.... Thus we will lay down our arms and abandon our objectives...." The government's response was cautious, noting that much of its success had been due to the refusal to make concessions.

President Barco has been a truly courageous leader this past year and his actions have hopefully set Colombia back on the road to peace and justice.

Venezuela

Population: 19,081,000.

Government: Federal republic.

Head of Government: President Carlos Andres Perez

GDP: \$61.75 billion.

Per Capita Income: \$3,230.

Defense Expenditures: \$973.00 million.

Armed Forces: Army—34,000 (some conscripts); Navy—10,000 includes 2,000 naval air, 4000+ marines and 750 coast guard (4,000 conscripts); Air Force—6,500 (some conscripts).

Total Regular Armed Forces: 70,500 including 20,000 national guard (18,000 conscripts).

The disastrous effects of development tied to a single commodity (oil) and spurred by massive foreign borrowing are readily apparent in Venezuela. Now, "the boom has gone bust" and the largest oil-producing nation on the Caribbean is experiencing the worst economic downturn since becoming a democracy 31 years ago.

The influx of petrodollars soared during the boom years of the late 1970s to a 1981 peak of \$19 billion. By the mid-1980s the world experienced an oil glut and hydrocarbon prices plummeted. In 1988 Venezuelan petroleum export revenues only totaled \$8 billion and 40 percent of that was needed to service the country's \$35 billion foreign debt.

In February, Perez announced a severe austerity program to turn the economy away from socialist spending programs toward a more privatized market-oriented approach. The president's plan called for elimination of many of the country's price controls, the removal of government subsidies, targeting inefficient state-owned enterprises for privatization and increasing interest rates. Perez instituted a large devaluation of the exchange rate to more realistically reflect the Venezuelan currency's true worth on world markets. That move was designed to dramatically drive up the price of imports, which it did. The government also cut protectionist tariffs in order to force local manufacturers to become more efficient.

The results of implementation of this bold plan shocked the country. Gasoline doubled from 12 to 25 cents a gallon which not only affected car owners but also increased bus fares. On 27 February riots and looting broke out in response to the increases. The Army, called in to restore order under the imposition of martial law, left 300 people dead and upwards of 1,500 wounded. In April, high school and university students staged violent protests in response to the government withdrawal of subsidies. In the following month the country

was shut down under the first national strike in more than 30 years.

The 5.7 percent economic expansion experienced by Venezuela in 1988 was followed by 1989's projected 8-9 percent decline. The previous expansion was fueled by government spending, not by increased productivity. Though the economic austerity pill has been a bitter one for the people of Venezuela to swallow, it is necessary if this country does not want to follow Peru and Argentina down the road to hyperinflation and chronic economic instability. The near-term impact will be hard for a people who have long enjoyed one of the highest standards of living on the continent.

Brazil

Population: 146,323,000.

Government: Federal republic.

Head of Government: President Fernando Collor de Mello

GDP: \$332.41 billion.

Per Capita Income: \$2,020.

Defense Expenditures: \$1.41 billion.

Armed Forces: Army—223,000 (143,000 conscripts); Navy—50,300 (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: 324,000 (145,200 conscripts).

This was the year in which Brazil's democracy conducted its first direct presidential election and peaceful transition of power—from one civilian government to another—in 29 years. Outgoing President Jose Sarney has survived a rather turbulent term, plagued most by Brazil's long-depressed economic situation and international environmental concern over the depletion of the Amazon rain forests.

During the early part of the year Sarney attempted to bring Brazil's spiraling economy under control through the implementation of draconian austerity measures. His plan included massive public sector layoffs, the closure of four government ministries, selling of 42 inefficient state-owned enterprises, a 17 percent devaluation in the currency and a wage-price freeze. Though considered by many international financial institutions to be the boldest and most hopeful of Brazil's many economic restructuring plans, this one did not clear the National Congress' authorization hurdle and promptly died. As a result, hyperinflation continued to hover around 2,000 percent causing Brazil to skip two interest payments on its \$115 billion foreign debt—the Third World's largest.

The rising attention to environmental issues in the international arena brought down on Brazil the consternation of many nations over its ruinous treatment of the rain forest. World environmentalists protested Brazil's policies, primarily the distribution of large tracts of land for wholesale clearing by multinational lumber interests.

Toward the end of the year the people of Brazil turned their attention to the upcoming November election. The first round of voting produced no clear victor so the top two vote-getters, Fernando Collor de Mello of the center-right National Reconstruction Party and Luis Inacio da Silva of the left-leaning Socialist Workers' Party, were slated for a December

17 runoff. The election was essentially a referendum on how Brazilians wanted their country's problems solved. Collor emerged the victor by pledging to abolish all but ten ministries, privatize state industries that operate at a loss, return nationalized companies to their previous owners and support land reform for the peasants.

President-elect Fernando Collor de Mello will have a tough road to travel in revitalizing the ruined economy he has inherited. If he can convince the National Congress to accept his market-oriented programs, Brazil may have a chance at tackling its strangling debt and paring the fiscally draining state-owned enterprises which now comprise 60 percent of the economy.

Peru

Population: 21,564,000.

Government: Constitutional republic.

Head of Government: President Alan Garcia Perez

GDP: \$30.76 billion.

Per Capita Income: \$1,470.

Defense Expenditures: \$658.30 million.

Armed Forces: Army—80,000 (60,000 conscripts), 188,000 reserves; Navy—25,000 (12,000 conscripts); Air Force—15,000 (7,000 conscripts); Paramilitary—70,600.

Forces Abroad: 20.

Total Regular Armed Forces: 120,000 (79,000 conscripts).

Peru is precariously teetering on the brink of economic and political disaster. The scores of problems that torment this Andean nation have become so onerous that in some regions the rule of law no longer applies. President Alan Garcia Perez—once perceived as the John F. Kennedy of South American politics—will be extremely lucky to survive his current term in office. It expires in June 1990. The three most severe threats to the continuance of democracy in this country are: 1) a chronically depressed economy, 2) the ever-increasing drug trade and, 3) a ruthlessly violent left-wing insurgency.

Since 1987 the state of the economy has declined precipitously close to bankruptcy, due in large part to Garcia's capricious and inept economic policies. His attempts to nationalize Peru's banks late in the same year spawned a massive flight of capital that continues two years later. The rise in the consumer price index for 1989 has been estimated at the hyperinflationary level of 6,000 percent, making the accumulated rise in the inflation rate for Garcia's term in office approximately *one million* percent. Moreover, the government is about \$5 billion behind in interest payments on its \$18 billion foreign debt, making it virtually impossible for Peru to receive financial assistance from international lending institutions.

Official annual export earnings of \$2.8 billion are greatly boosted by unofficial narcodollar profits of approximately \$800 million. More and more of the poor are attracted to the underground drug economy due to a lack of other productive employment. The Upper Huallaga Valley, where the majority of Peru's coca is grown, accounts for more than 65 percent of the world's coca crop production. The valley, virtually

uninhabited 50 years ago, now has some 300,000 residents with more arriving every day. The average small coca farmer can produce a guaranteed annual income of \$1,500, slightly higher than the national per capita average of \$1,470, making coca production notably attractive.

While drugs are a scourge and addiction rates are on the rise, it is by no means Peru's most pressing problem. The Sendero Luminoso (Shining Path), an extremely violent Maoist guerrilla group, has waged a brutal war against the government since 1980. More than 15,000 people have died as a result of this conflict. In their attempts to unseat Peru's fragile democracy, the guerrillas have killed 88 mayors and six deputy mayors and have assassinated or intimidated countless candidates in 1989 municipal elections. Moreover, in Andean towns the guerrillas threatened to cut off all hands marked by the indelible ink of the polling stations.

The upcoming presidential elections will be critical to the future of pluralistic government in Peru. The country not only needs a leader with vision, but one with a concerted plan and the requisite commitment to carry that vision to fruition. The leading contender in the race for Peru's highest office is the one person who may have the tools to transform this country's bleak outlook for the future, world-famous novelist Mario Vargas Llosa. His popularity may indicate a move to the right by an electorate that has become disillusioned by the failure of Garcia's nationalistic populism.

Bolivia

Population: 6,987,000.

Government: Republic.

Head of Government: President Jaime Paz Zamora

GDP: \$6.23 billion.

Per Capita Income: \$580.

Defense Expenditures: \$86.80 million.

Armed Forces: Army—20,000 (15,000 conscripts); Navy—4,000 (1,800 conscripts); Air Force—4,000; Paramilitary—21,000.

Total Regular Armed Forces: 28,000 (19,000 conscripts).

President Victor Paz Estenssoro, a skilled politician and respected statesman, left office in 1989 having taken Bolivia from the economic backwater to economic stability. The Paz miracle produced a decrease in the annual inflation rate from a 1985 peak of 24,000 percent to just below 10 percent today. In 1987 the Paz administration reinstated payment on the foreign debt which had been in arrears for the previous four years. Also, his policies were instrumental in stabilizing the exchange rate and, since 1987, have fostered consistent positive growth in Bolivia's Gross Domestic Product.

In a remarkable sequence of events, the third-place finisher in the May 7th election became Bolivia's new president. Considered by outsiders as one of the more impressive South American elections in modern times, Bolivia witnessed the second peaceful transition of power since democracy was reinstated seven years ago.

Since none of the nine candidates won a majority of the vote, as is mandated by the Bolivian Constitution, the Congress was charged with the selection of the new president. In a

power-sharing deal between General Hugo Banzer's right wing Democratic Nationalist Action Party and Jaime Paz Zamora's left-leaning Revolutionary Left Movement Party, Zamora was named president. Banzer threw his party's congressional votes behind Zamora in exchange for certain cabinet seats to include finance, defense and foreign affairs. Gonzalo Sanchez de Lozada, former finance minister under President Paz and largest vote-getter in the general election, was left out in the cold.

In a panic move and fearing a return to the leftist monetary policies, which previously left Bolivia bankrupt, middle-class Bolivians in search of hard currency made a run on banks, withdrawing upwards of \$30 million just prior to Jaime Paz Zamora's inauguration in August. Immediately after assuming office President Paz Zamora, in an attempt to allay middle-class fears, pledged to continue the economic policies of his predecessor. The new president also pledged to continue Bolivia's vigorous fight against drugs while preserving sovereignty and working for the well-being of all people.

The drug trade continued to flourish in Bolivia in 1989. Narco-dollar profits are estimated at close to \$1 billion with about \$250 million of that remaining in the country. The poorest of South American countries, Bolivia is dependent on coca production for one-fourth of its hard-currency earnings. Coca production was estimated to have experienced a 20 percent increase last year.

Despite some seemingly negative trends, the Bolivian government has actually increased its cooperation with the United States. In December, Bolivian authorities captured former interior minister Luis Arce Gomez, once dubbed as his country's "minister of cocaine." Arce Gomez, who used the interior ministry as a cocaine distribution center, was immediately extradited to the United States to stand trial.

The war on drugs will not be won easily, yet with continued cooperation from the upper levels of the new Bolivian administration, great gains can be made against the narco-terrorists. In the coming year, President Paz Zamora will need to focus his energies on continuing his country's economic resurgence and devoting an even greater effort in fighting the scourge of drugs.

Paraguay

Population: 4,124,000.
Government: Republic under authoritarian rule.
Head of State: President Gen. Andres Rodriguez Pedotti
GDP: \$4.76 billion.
Per Capita Income: \$990.
Defense Expenditures: \$84.32 million.
Armed Forces: Army—12,500 (8,600 conscripts); Navy—2,500 (1,000 conscripts); Air Force—1,000 (700 conscripts); Paramilitary—8,000; Reserves—45,000 all services.
Total Regular Armed Forces: 16,000 (9,800 conscripts).

Paraguay, once the impenetrable bastion of strongman dictator Gen. Alfredo Stroessner, became the final nation on the South American continent to embrace the tenets of democracy. On Feb. 3, Stroessner was deposed in a violent coup led by Gen. Andres Rodriguez, for years his right-hand man. Upon assuming power Gen. Rodriguez surprisingly announced that the country would have congressional and presidential elections within three months.

In support of his commitment to democracy Rodriguez legalized the four opposition parties, allowed for press freedom, began repairing relations with the Roman Catholic church and promised to respect human rights. In an effort to add legitimacy to Paraguay's upcoming elections, Rodriguez invited 15 international observers to monitor balloting. On May 3, the election took place with Rodriguez easily outpacing the opposition candidate, Domingo Laino, by gaining 75 percent of the vote. Though there were some incidents of electoral fraud, observers noted that they were few and far between. In fact, the well-regarded news weekly *The Economist* noted that "most foreign observers privately agreed: the country's cleanest dirty elections since 1926...."

Rodriguez announced that he would remain in office for only one term and that he would seek to alter the constitution to ensure that no one could hold the office of president for more than one term.

Once in office, the new president first sought to tackle Paraguay's mounting economic problems. Paraguay has long been known as a smuggler's paradise. It is estimated that more than half the country's economic transactions take place on the black market. One of President Rodriguez's first moves was to float the currency (it had long been two-tiered favoring the bloated public sector) as a means of stabilizing monetary policy. He has also introduced a privatization plan aimed at selling off all non-profitable state-owned enterprises and promised to eliminate Paraguay's \$200 million annual budget deficit. Repayment of the country's \$2.2 billion foreign debt is now under control, leaving the 30 percent annual inflation rate as Rodriguez' major remaining economic hurdle.

The performance of President Rodriguez to date exhibits his graduation from cronyism to the mantle of statesmanship. After more than 30 years of dictatorship, the people of Paraguay may have finally realized the democratic society they have sought.

Argentina

Population: 32,296,000.
Government: Republic.
Head of Government: President Carlos Saul Menem
GDP: \$81.44 billion.
Per Capita Income: \$2,390.
Defense Budget: \$1.60 billion.
Armed Forces: Army—55,000 (30,000 conscripts), 250,000 reserves, 200,000 national guard, 50,000 territorial guard; Navy—25,000 (4,000 conscripts), 77,000 reserves; Air Force—15,000 (5,000 conscripts), 50,000 reserves; Paramilitary—27,000.
Total Regular Armed Forces: 95,000 (39,000 conscripts).

In spite of numerous crises, the six-year-old democracy managed to remain afloat in this economically fragile and politically volatile nation. In the May presidential elections, Carlos Saul Menem, the former governor of La Rioja province and the candidate of the nationalist Judicialist (Peronist) Party was declared the victor. The election marked Argentina's first peaceful transition of power in more than 60 years.

The top priority for the new administration is the economy which has teetered on the brink of collapse. Annual inflationary figures topping 20,000 percent, coupled with a 40 percent decrease in real wages since 1981, have been the cause of labor unrest and have resulted in frequent energy shortages and disruption of mail and phone service. These problems were further exacerbated in April when President Alfonsin's top three economic policy makers—the economic minister, the treasury secretary, and the central bank president—all submitted their resignations.

In May, continued hyperinflation resulted in widespread food riots. In response President Alfonsin declared a state of siege and suspended most civil liberties for 30 days. Attempts at corrective measures were futile as the people had lost confidence in the administration. That, in turn, caused many Argentinians to call for Alfonsin to step down rather than wait until his term ended in December. Finally, on June 12, Alfonsin resigned the presidency, passing the mantle of democracy on to Carlos Menem who was inaugurated on June 30.

Almost immediately, Menem began to implement drastic measures to regain control of the economy. He increased prices for government services, restricted currency expansion and suspended or eliminated numerous government subsidies. The new president's goal has been to cut inefficiencies in the government through decentralization and a war on corruption. Also, Menem inherited a foreign debt which had been in arrears for over a year. He promised to reinstitute payments on the debt, seeing Argentina's international financial obligations as a matter of honor. This has brought in new IMF funding totaling \$1.5 billion, giving an international stamp of approval for further economic assistance.

The new president, in a move to gain the confidence and support of the military, expressed his intention to halt judicial proceedings against 18 high-ranking officers who were facing trial for human rights abuses committed during the "dirty war" of the 1970s. Though the Argentine Air Force has indicated

a readiness to resume the fight for the Falkland Islands, the military no longer appears to pose much of a threat to the new administration. Moreover, Menem made new overtures to the United Kingdom by announcing that Argentina would use legal means to reclaim the islands. In October, the two nations reestablished consular ties severed at the beginning of the 1982 Falkland's War.

With the military back in the barracks, President Menem should be able to concentrate all his energies on Argentina's faltering economy. If he is to succeed, he will have to reform government fiscal practices, curb corruption and introduce free-market mechanisms to spur production and competition. Initially, it may be a bitter pill for the populace to swallow, yet it has to be better than the alternative—bankruptcy.

Chile

Population: 12,862,000.

Government: Republic.

Head of Government: President Augusto Pinochet (see text)

GDP: \$22.08 billion.

Per Capita Income: \$1,310.

Defense Expenditures: \$640.12 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).

Throughout the year the people of this coastal Andean nation have been working vigorously to further the reinstatement of democracy, absent from Chile since 1973. That was when a coup led by Gen. Augusto Pinochet Ugarte unseated the Marxist government of Salvador Allende. The process of reintroducing a pluralistic system in Chile took hold in October 1988 when the people, voting in a constitutionally mandated plebiscite, overwhelmingly rejected another eight years of Pinochet.

In a July 1989 plebiscite, 85 percent of the electorate voted to institute changes in the Chilean Constitution proposed through negotiations between the Pinochet government and all major opposition parties save the communists and a few small radical fringe groups. Constitutional changes that will be effective in March include the reduction of the presidential term from eight to four years, reduction in presidential powers of emergency, lifting a ban on the participation of Marxist parties in the political process and writing human rights obligations into the law. To lessen the influence of the military over the political process, civilians are to be given equal representation on the National Security Council, the body tasked with overseeing all major policy decisions.

The transition toward democracy continued to flow smoothly. On December 14, national elections were held for the office of president as well as for the seats in both houses of the Chilean Congress. Patricio Aylwin, leader of the Christian Democrats, outpaced his two rivals by gaining approximately 55 percent of the electorate, thereby avoiding a runoff. Aylwin, a centrist in an alliance with center-left parties, gained control of the lower house of Congress. His

hopes for a majority in the Senate are slim because of nine seats that are still to be appointed by Pinochet. President-elect Aylwin is expected to assume his new office in early March.

The economic miracle of the Pinochet regime, which included ten percent real growth last year and the only reduction in foreign debt on the continent, does not appear to be in jeopardy. The populace has shifted to the center in support of those economic reforms already introduced and few endorse a rollback to economic nationalization as was characteristic of the Allende government.

Throughout all the preparations for the peaceful transition of political power, the military has been unusually quiet. Pinochet has vowed to remain as commander-in-chief of the army, but the air force and navy commanders, both members of his ruling junta, have indicated that they will resign their posts upon Aylwin's inauguration. Also, the armed forces have been granted immunity from prosecution for human rights abuses committed during the Pinochet regime (when an estimated 1,500 to 3,000 people were killed).

President-elect Aylwin is poised to bring great promise to Chile in the coming decade. Yet as long as Pinochet is alive and controls the army, the new democracy will have to walk a cautious path.

Uruguay

Population: 3,013,000.

Government: Republic.

Head of State: President Luis Alberto Lacalle (see text)

GDP: \$7.78 billion.

Per Capita Income: \$2,190.

Defense Expenditures: \$150.19 million.

Armed Forces: Army—17,200; Navy—4,500 including naval air and naval infantry; Air Force—3,000;

Paramilitary—2,650.

Forces Abroad: 70.

Total Regular Armed Forces: 24,400.

Like many of their South American counterparts, Uruguayans further solidified their commitment to democracy in 1989. The people of this small nation sandwiched between Argentina and Brazil participated in two rather consequential votes during the year. The first was to decide whether to rescind amnesty granted the military for earlier human rights abuses and the second comprised a national election that would mark the first peaceful transition of power since civilian rule was restored in 1985.

In mid-April the people went to the polls to consider overturning the amnesty granted to the armed forces in 1986, for human rights abuses perpetrated while fighting the radical left-wing Tupamaro terrorist organization.

With roughly two million people casting ballots in the plebiscite, 52.6 percent voted to retain the amnesty while only 40 percent voted to nullify it. After the referendum was decided, President Julio Maria Sanguinetti noted that the period of transition was over and that the revival of democracy was assured.

As the November election neared, the problem that seemed to be foremost in the minds of the electorate was the state of

the economy. Uruguay has long suffered under the burden of economic stagnation and rising inflation brought on by a corpulent public sector crammed with grossly inefficient state-owned enterprises, a social welfare system that cannot begin to pay for itself and an ever-burdensome foreign debt. The depressed state of the economy has led to an average annual brain-drain of 40,000 young people who seek their livelihood elsewhere.

In late November the people went to the polls and exercised their right to self determination by casting their ballots in the first genuinely free elections since the former military junta relinquished power to civilian rule in 1985. In the previous elections the military had vetoed the first-choice candidates of

two of the parties. This time the voters saw Luis Alberto Lacalle of the Blanco Party out-poll his opponents, Jorge Batlle of President Sanguinetti's Colorado Party and retired Gen. Liber Seregni of the leftist Broad Front, to become the next president of Uruguay.

In his new role as leader of Uruguay, President-elect Lacalle will have to gain a handle on the economy and try to stem the tide of emigration that is rapidly depleting his country's human resources. He has been entrusted with a fragile democracy and only time will tell if he will succeed. If not, his countrymen may turn their eyes to the Marxist-leaning Broad Front, a situation the military may find intolerable.

CONCLUSION

For *Newsweek* columnist George Will, "This has been the most startling, interesting and promising year, ever." Unquestionably, the great event of 1989, (of the decade? of the half-century?) has been the revolution in Eastern Europe. Things moved so swiftly, as the six Soviet satellites deposed their hard-line Communist leaders and wrote the Communist Party's monopoly on power out of their constitutions, that the transition to a post-communist era is heavy-laden with the dangers of instability.

Much of the impetus for the revolution came from the Soviet Union, where many of those in power were learning a hard lesson: that economic power is as essential to the security equation as military power. As the Soviet economy stagnated, each reform failure prompted more drastic measures. The high cost of maintaining enforced order in Eastern Europe became more than Moscow could bear. The belief that openness would lead to better relations with the rest of the world seems to have caught on rather well, but the other part of Mikhail Gorbachev's program, restructuring the system in order to save it, has not been as effective. Still, the need for better access to Western technology and concern over Western reaction meant the end of using Soviet tanks to repress dissent in Eastern Europe.

The Cold War may be ending, but the huge Soviet military machine is still mostly in place. Presidents Bush and Gorbachev, while publicly clamoring for progress in arms control and disarmament negotiations, have yet to put their signatures to the first piece of paper.

Politically, it seems that 1990 will be a year of elections, but it is not clear that the rush to pluralism will result in stable governments, especially given the opposition's lack of experience with statecraft and democracy. Building parliamentary governments in countries that have lived under repression ever since the 1920s will be no easy task.

The dizzying pace of events in Eastern Europe also raises many questions. Is this the end of the Warsaw Pact? What becomes of NATO? Can Gorbachev survive the challenges at home—political and nationalistic? Will it matter if he doesn't? Is German reunification near? How will the Eastern European nations play in EC '92?

Clearly the revolution of '89 has unleashed new social

forces into the political arena. This rising tide of "people power" is rapidly spreading to the East, where it inflames ethnic and separatist sentiments in six of the 15 Soviet republics.

Elsewhere, in Western Europe, the dwindling of the Cold War gives rise to an outcry for reductions in military spending and spawns doubts concerning the efficacy of total immersion in a European Community that could conceivably include a reunited Germany.

In some of the most volatile parts of Africa, there was cause for optimism. The departure of Cuban troops from Angola led to steps that could resolve the civil war there as well as facilitating a settlement in Namibia. Negotiations are in progress to end the secessionist war in Ethiopia's Eritrea and Tigre provinces, with the rebels evidently achieving victory. The release from 27 years of imprisonment of Nelson Mandela gives rise to expectations for easing the disenfranchisement of 23 million blacks in South Africa.

Conversely, there was little or no progress in achieving peace in the Middle East. The Palestinian Arab uprising against Israeli occupation of the West Bank and the Gaza Strip persisted. Continued heavy fighting in Lebanon's ten-year-old civil war prompted intervention—to little avail—by the Arab League. And, while the cease-fire in the Iran-Iraq War continued to hold, there was no progress toward a peace treaty.

The quashing of the pro-democracy movement in China overshadowed everything else in Asia. The damage from another coup attempt in the Philippines is still being assessed and the bloody civil war continues in Sri Lanka. Still, all was not gloom and doom in Asia during 1989, with progress toward democracy recorded in Pakistan and South Korea and the withdrawal of Vietnamese troops from Cambodia and the Soviets from Afghanistan. Also, there continues an economic boom in many parts of the Pacific Basin, notably Japan, South Korea, Taiwan and Thailand.

Finally, the events of our southern neighbors in Latin America in 1989 projected a mirror-image of 1988. While 90 percent of the population between the Rio Grande and Tierra del Fuego live within some form of democratic system, many look to their capitals with disillusionment because of decreased living standards and a ten-year cycle of recession and inflation.



**INSTITUTE OF LAND WARFARE
ASSOCIATION OF THE UNITED STATES ARMY
2425 WILSON BOULEVARD, ARLINGTON, VIRGINIA 22201-3385**