Special Report

OUR CHANGING WORLD

A GLOBAL ASSESSMENT

1991

ASSOCIATION OF THE UNITED STATES ARMY

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INTRODUCTION

At the end of 1991, as we have done for each of the past 18 years, we examined the events that transpired around the globe and tried to give them some relationship to the well-being of the United States as a member of the world community. For too many of those years, our attempt to put the major political, military, economic and social events into perspective has been a depressing task. But the often startling political events of the past three years give us cause to view the world in which we live with more than a little optimism.

Such was indeed the case for the year just past, when three defining events marked the end of the international order of the last half century. Those extraordinary events were, in the order of their occurrence, the Persian Gulf War, the failed Soviet coup and unilateral reductions in the United States' strategic nuclear arsenal.

The Gulf War was an extraordinary conflict of unprecedented and improbable coalitions against spectacular strategic and tactical ineptitude on the part of Saddam Hussein. It vindicated more than a decade of American defense investments. Also, it has been argued that this war foreshadows the future in that the invasion of Kuwait probably would not have occurred in the old bipolar world order characterized by constant superpower confrontation.

The second event (in point of time, but *first* on our scale of importance) was the failed coup in Moscow which, perversely, hastened the dissolution of the Soviet Union and made irrevocable the political and economic reform in the republics. That settled for the foreseeable future the question of whether there could be a reversion from the Gorbachev reforms and a return to the old Soviet character and communist threat.

The third event, resulting in large part from the second but of nearly equal magnitude, was President Bush's decision to change dramatically and unilaterally the nuclear posture of the United States. By taking bombers and missiles off alert, withdrawing forward deployed weapons and promising significant reductions in U.S. nuclear weapons, he changed most of the assumptions that have fed the development of nuclear doctrine over the past 40 years.

While these three are the most obvious indicators of the changes that took place in the world in 1991, they by no means tell the whole story. Our own country, and indeed much of the world, is grappling with severe economic and human problems. Inflation, unemployment and welfare costs are constants in our own society. Elsewhere, economic chaos, starvation and conflict are additional burdens. As 1992 begins, ours is a world of tension and uncertainty just as the past year has been. There is no place to hide, so the task is to face up to these difficulties and bring to bear our best thoughts and energies toward their solution.

This report is not intended as the definitive work for historians or academicians, but rather to give our citizenry a usable summary, clearly presented. We recognize that the United States and the world remain beset with economic problems of the gravest nature. However, our primary concern will be with the current state of world political and military affairs, our foreign policy, and the strength and credibility of our defense posture on which any successful foreign policy must rest.

This annual global assessment is a product of the AUSA Institute of Land Warfare, LTG Richard L. West, USA Ret., Director. Contributing to this effort are: GEN Frederick W. Kroesen, GEN Robert W. Sennewald, GEN Glenn K. Otis, GEN Louis C. Wagner, Jr., MG Edward B. Atkeson, all USA Ret., MG Robert F. Cocklin, AUS Ret., and Sandra J. Daugherty. COL Thomas D. Byrne, USA Ret., is the editor, MSGT (Ret.) George E. Ehling assembled the statistical information for each country and Lori Johnston, Stephanie Akiwowo and Patricia Taylor provided vital administrative assistance.

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EDITOR'S NOTE: Since we do not cover all the nations of the world, the selection of countries for this report is a subjective judgment 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 World Factbook 1991*, Central Intelligence Agency, Washington, D.C.; *The Military Balance 1991-1992*, The International Institute of Strategic Studies, London; *The World Almanac and Book of Facts 1992*, Pharos Books, New York; and *Defense 91 Almanac*, September/October 1991, Department of Defense, Armed Forces Information Service, Alexandria, VA.

A CHRONOLOGY OF THE YEAR'S MOST SIGNIFICANT EVENTS

January 12 —U.S. Congress authorizes use of force to evict Iraq from Kuwait.
January 13 —Mario Soares reelected president of Portugal.
January 16 —U.S.-led coalition attacks Iraq after U.N. deadline for withdrawal.
February 7 —IRA attempts to assassinate British cabinet.
February 20—Slovenia, Croatia withdraw from Yugoslav federation.
February 22—Albanian government replaced amid prodemocracy protests.
February 27—U.S., allies drive Iraqis from Kuwait after four-day ground assault.
March 3 —Iraqi commanders agree to allied surrender terms; POWs freed.
March 3 —Estonia, Latvia vote for independence.
March 12 —Liberian warring factions sign cease-fire.
March 15 —Yugoslav president resigns; joint leadership crippled.
April 3 —U.N. passes Persian Gulf cease-fire resolution.
April 3 —Over one million Kurds flee Iraq.
April 9 —Soviet Georgia declares independence.
April 13 —U.S., allies set up Kurdish refugee camps in Iraq.
April 30 —Cyclone kills 125,700 in Bangladesh.
April 30 —Taiwan ends 43-year emergency rule.
May 15 —Edith Cresson becomes first woman premier of France.
May 21 —Ethiopia's President Mengistu resigns, flees country.
May 21 —India's ex-Premier Rajiv Gandhi assassinated.
May 22 —Syria/Lebanon sign cooperation treaty.
May 28 —Ethiopian rebels take capital.
May 31 —Angolan government and UNITA sign cease-fire.
June 4 —Albania's communist government resigns.
June 5 —South Africa repeals apartheid land laws.
June 10 —Hundreds of thousands parade in New York and Washington, D.C., to welcome Persian Gulf troops home.
June 12 —Yeltsin elected president of Russian Republic.
June 19 —Last Soviet troops leave Hungary, Czechoslovakia.
June 24 —Cambodian factions accept U.N. peace plan; cease-fire set.
June 25 —Slovenia and Croatia declare independence.
July 1 —Warsaw Pact officially disbands.
July 18 —Arab states accept U.S. terms for Middle East peace conference.
July 30 —START treaty signed by U.S./U.S.S.R. in Moscow.
August 4 —Israel agrees to attend Middle East peace conference.
August 19 —Top Soviet hard-liners fail to oust Gorbachev in coup attempt.
August 24 —Ukraine, Byelorussia and Moldavia declare independence.
August 29 —Soviet Communist Party ends 74-year reign; Gorbachev quits as party leader; hierarchy purged.
September 5 —Soviet congress cedes power to republics.
September 6 —Soviet state council accepts secession of Estonia, Latvia and Lithuania.
September 8 —Macedonia votes independence from Yugoslavia.
September 14—Koreas, Baltics join United Nations.
September 26—Romanian government falls.
September 27—U.S. announces unilateral cut in nuclear arms; strategic bombers taken off alert; tactical nuclear weapons to leave Europe.
September 30—Haiti's President Aristide ousted in military coup.
October 8 —Croatia, Slovenia formally secede from Yugoslavia.
October 30 —Middle East peace conference convenes in Madrid.
November 5 —Miyazawa named Japanese premier.
November 14—Prince Sihanouk named president of Cambodia.
December 1 —Ukraine votes independence.
December 4 —Albanian government falls.
December 4 —Last American hostage freed in Lebanon.
December 8 —Romanian voters approve constitution; Romania becomes a republic.
December 19 —Australia's Prime Minister Hawke ousted; Keating voted in.
December 25 —Soviet Union officially disbands; Gorbachev resigns.
December 31 —El Salvador/rebels reach peace agreement; cease-fire set for Feb. 1.

NATO—A NEW LOOK

In March 1991, President Vaclav Havel of Czechoslovakia became the first head of state of a Warsaw Pact country to visit NATO headquarters in Brussels. On July 3, 1991, Poland's President Lech Walesa addressed a special ministerial session of the North Atlantic Council in Brussels. In his speech, President Walesa said: "The Republic of Poland shares the beliefs and political goals of the North Atlantic Alliance. What we want is a partnership with the Alliance. . . . We wish for one Europe." These words and events not only ratified the end of the Cold War and the disintegration of the Warsaw Pact but also signaled a completely new outlook for NATO. The London Declaration on a Transformed Atlantic Alliance, issued at the July 1990 NATO Heads of State meeting, had triggered a comprehensive review of NATO strategy and goals. Now, in the summer of 1991, the political leaders of the two most important non-Soviet member nations of the now disbanded Warsaw Pact were suggesting directions for the future of NATO.

The November 1991 NATO Heads of State meeting of the North Atlantic Council in Rome resulted in a new strategic concept for NATO. The previous NATO strategy had been characterized by these tenets:

- oriented on U.S.S.R. and Warsaw Pact;
- warfighting in nature—totally defensive;
- deterrence based on military capability to include nuclear weapons;
- forward defense including the protection of all of NATO territory and the concept of flexible response.

The new strategy is a dramatic change. Among its guiding principles:

- a diverse and multidirectional threat;
- collective defense characterized by the formation of multinational forces;
- war prevention involving political actions before resorting to military options;
- counterconcentration of military forces as the basis for a military operational concept;
- smaller military forces with greater reliance on reserves and the time necessary to activate them.

This new strategic concept signals a new look for NATO. No longer will the alliance concentrate on global war initiated by a massive U.S.S.R./Warsaw Pact attack. Rather, it recognizes what the U.S. military has been describing as the operational continuum, that is, peacetime competition, crisis, war. In fact, NATO envisions that managing crises and preventing conflict may be the real key to preserving peace. In this context, NATO promises to support the Conference on Security and Cooperation in Europe (CSCE) process and recognizes important roles for the European Community (EC), the Western European Union (WEU) and the United Nations.

The Rome conference also reaffirmed NATO's fundamental purpose as mandated in the Washington Treaty of April 1949: to safeguard the freedom and security of all its members by political and military means in accordance with the principles of the United Nations. Thus, an armed attack on any member, from any direction, could be responded to by NATO's military forces (Articles 5 and 6). However, the Rome conference has taken the position that risks of a wider nature exist. The risks that are cited include proliferation of weapons of mass destruction, disruption of the flow of vital resources, terrorist events and sabotage. Clearly, this statement is a new direction for NATO, out of context with any precedent.

In the recent past there has been debate, conjecture and discussion relative to the "European Pillar" in NATO. This is a euphemism for NATO minus the United States and Canada. Lately, the new language refers to this notion as the European Security Identity (ESI), a term which is used in the Rome communique. A fundamental question is whether ESI will be a NATO element or will fall under the aegis of the WEU or even the EC. Some believe that the answer to the ESI question is central to the future of NATO. Others argue that the power and prestige of the United States makes its role in the security of Europe pivotal (hence, NATO is secure) and that the ESI can be whatever Europeans want it to be without jeopardizing NATO's future.

Now that the North Atlantic Council has announced its new strategic concept, it becomes the task of the military working with member nations to make that concept come alive with an operational design and the new force structures to implement it. The changes are significant, the challenges are many and varied; but in 1991 NATO has seized the initiative with two seminal conferences and worthwhile policy directions. Indeed, there is a new look for NATO and 1992 may be the year in which that new look is displayed in operational detail.

United States of America

Population: 252,502,000
Government: Democracy
GNP: $5,465 billion*
Per Capita Income: $21,800
Defense Expenditures: $287.45 billion
Armed Forces: Army—731,700, 446,700 National Guard; Navy—584,800; Marine Corps—195,700; Air Force—517,400, 116,800 Air National Guard; Coast Guard—37,300; Paramilitary—68,000 Civil Air Patrol; Reserves—1,721,700 ready reserves; 1,138,200 reserves all services; 29,200 standby reserves; 175,500 retired reserves
Forces Abroad: 492,366
Total Regular Armed Forces: 2,066,900
(NOTE: The above information is provided for the reader's use in making comparisons with the other nations covered in this report.)
*GNP equals GDP plus net income from abroad.

WESTERN EUROPE

Canada

Population: 26,835,000
Government: Confederation with parliamentary democracy
GDP: $516.7 billion
Per Capita Income: $19,500
Defense Expenditures: $11.4 billion
Armed Forces: Army—35,800; Navy—17,400; Air Force—23,000; Paramilitary—6,600 coast guard; Reserves—65,400 all services
Total Regular Armed Forces: 86,600. Note: The Canadian armed forces were unified in 1968. Of the total strength, some 10,400 are not identified by service.

The issues confronting Prime Minister Brian Mulroney in 1991, while contributing to his decline in popularity, were not so serious as to threaten his government. The prime issue, of course, was the matter of Quebec separatism, but there are also the matters of a recessionary economy, environmental infighting and a constitution that is badly in need of reform.

The Quebec issue overshadowed all others when the prime minister's plan for settling it failed adoption. The independence-seeking Quebec provincial legislature scheduled a plebiscite for October 1992 to allow the people to decide the issue on their own. After some months of conciliatory effort, Prime Minister Mulroney warned that by splitting Canada, Quebecois were risking dire economic retribution and political isolation. Mulroney declared unacceptable the PartiQuebecois strategy based on "sovereignty association," which supposedly would guarantee the continuation of existing economic, trade and other linkages. In addition, some of the 800,000 English-speaking citizens of Quebec began agitating for separatism from the separatists, and increased attention was being given to the knotty problems of ownership of federal assets, the locations of federal troops and a division of federal debts. It is estimated that the transitional costs of sovereignty would consume as much as 10 percent of Quebec's GDP.

As for the economy, the 1989 free-trade agreement with the United States has caused major difficulties as Canadian industry now finds itself noncompetitive. Decades of protectionism, featherbedding, high wages and government subsidization have limited the marketability of many Canadian products. The year ended with unemployment at 10 percent and growing, with discontent in the civil service and strikes by unions, postal employees and transport workers further disrupting the national economy. Despite this, Canada's per capita income is one of the highest in the world.

Part of the economic problem is the farm crisis. The transatlantic grain-subsidies war between the United States and Europe has driven wheat prices to about $1.75 a bushel, less than the cost of production in Canada. As a result, a thousand farmers are in bankruptcy and the government's promised $700 million bailout is attacked as too little, too late.

The constitutional reform issue, linked closely to the Quebec question, is almost 60 years in being. The constitution inherited from the British requires "Canadianization," a process found insoluble since 1931 when Great Britain relinquished sovereignty over Canada, Australia, New Zealand and South Africa. In 1982, British caretaking ended and the reformation became a purely Canadian affair. In the decade since, every effort to amend, modify or modernize the document has foundered on French-English disagreements, and the country continues to operate with a flawed basic law.

A major environmental crisis with political and economic overtones was the James Bay crisis. It was brought on by environmentalists and local Indian populations who strongly oppose a $12.5 billion hydroelectric project in which many millions of dollars have already been invested. The main protest is against flooding nearly 2,000 square miles of forest, much of it traditional hunting grounds of the Indians. The agitation has caused the courts to order a hold on all work while a "full and lengthy" environmental review is completed. The immediate result has been the withdrawal of investors and the unravelling of contracts. Opponents plan to stop the project completely, a possibility that would have an adverse impact on the Quebec government, which has counted heavily on James Bay to ease its economic problems.

Prime Minister Mulroney's popularity began to decline precipitously in 1990 and his Progressive Conservative Party continues to lose ground. The New Democrats' landslide victories in British Columbia and Saskatchewan, following the one in Ontario in 1990, mean that more than 50 percent of the Canadian people are now governed at the provincial level by socialists.

One interesting and positive event for Canadians in 1991 was the agreement to establish the new territory of Nunavut. Pending parliamentary approval, the Eskimo and Indian leaders have won self-government over a vast area of northern Canada, settling a long-simmering dispute between their people and the central government. A similar resolution to some of Canada's other main problems could mean that 1992 will be a decisive year for the Canadian confederation.

Great Britain

Population: 57,515,000
Government: Constitutional monarchy
GDP: $858.3 billion
Per Capita Income: $15,000
Defense Expenditures: $43.6 billion
Armed Forces: Army—149,600 (includes 7,400 Gurkas); Navy—61,800; Air Force—88,700; Reserves—347,100 all services
Forces Abroad: 82,243
Total Regular Armed Forces: 300,100

When John Major became prime minister in November 1990, the principle issue facing him was the one that toppled Margaret Thatcher: how much of its sovereignty Britain should cede to the emerging European Community. Major was also confronted with a split in his Tory Party that, if

not healed, could easily lead to the return to power of the Labor Party.

However, in just a few short months the primary issue for Britain became the volatile situation in the Persian Gulf. On one hand, British troops had been sent to Southwest Asia with plans to back up the U.N. resolutions concerning Iraq's invasion of Kuwait. On the other hand, Parliament seemed reluctant to support any decision to initiate war against Iraq.

John Major would thus have to spend his political energies mustering a consensus, both in Parliament and throughout the nation, in favor of a war nobody wanted—but for which there was no viable alternative. When the polling was done and the votes were in, Major had acquitted himself extremely well and the United Kingdom went to war.

At the conclusion of the Gulf War, the new prime minister's popularity could hardly have been higher. Yet the time for basking in glory was short as the issues demanding his attention piled up. The British Chamber of Commerce released statistics showing a deeper recession than had been generally accepted. Real income for farmers was at its lowest ebb since World War II; interest rates were running a high 13.5 percent; unemployment was growing; and wage increases could not keep up with inflation. On top of this, the cost of the Gulf War could only add to the nation's financial woes, and troubles in Northern Ireland mounted. In fact, on Feb. 7, a mortar shell fired by Irish Republican Army terrorists landed in the backyard of the prime minister's residence, only 40 feet from where Mr. Major was meeting with his senior cabinet ministers.

In the wider community of European nations, Prime Minister Major sought to take a number of initiatives. Relations with Germany had become strained under Mrs. Thatcher, which prompted Mr. Major to seek an early meeting with Chancellor Helmut Kohl. From the first meeting it was apparent that the two leaders could work together. However, there were also some very real differences. Germany favors the adoption of a common European Currency Unit (ECU), while Britain wants to retain the pound. The Germans (with French encouragement) would assign the European Community's security functions to the Western European Union. Britain would agree to that only if the WEU is aligned with NATO for contingencies that might occur within the NATO guidelines area. The nub of the differences centers on the United States, which is not a member of WEU. The German position has the effect of excluding the United States from European security matters. The British position retains U.S. influence on the continent. The resolution of the currency and security arrangements was left to the planned EC summit meeting at Maastricht, Netherlands, in December.

Major returned from Maastricht to report that Britain would continue full membership in the EC while retaining the degree of sovereignty it has sought. Specifically, Britain was allowed to remain apart from the common currency when it becomes a reality at the end of this decade. In addition, the EC agreed that the WEU would operate with, rather than in lieu of, NATO in security matters.

This first year of John Major's prime ministership has been most eventful. With parliamentary elections to be called in the first half of 1992, the Tories and their leader are carving out a fairly solid position.

France

Population: 56,595,000
Government: Republic
GDP: $873.5 billion
Per Capita Income: $15,500
Defense Expenditures: $37.3 billion
Armed Forces: Army—280,300; Navy—65,300; Air Force—92,900; Paramilitary—89,300; Reserves—1,314,000
Forces Abroad: 73,700
Total Regular Armed Forces: 453,100 (includes 5,700 central staff, 8,500 Service de sante and 400 Service des essences not listed above)

Lately, France seems to be in doubt about its future and its identity. On the one hand, low population growth (.5 percent per year), a low inflation rate (3.3 percent, third lowest in the European Community), and a favorable gross domestic product that is second highest in EC after Germany were clear signposts of a strong nation. Yet, according to a government Planning Secretariat study, French society in general views the future with anxiety.

Politically, the French see their privileged position in the EC threatened by a united Germany with its growing economy and the political will to exert its leadership. Outside of Europe, France's former colonial states in Africa are moving further away from French influence. In Chad, for example, President Hissein Habre was removed from power by rebels while the French did nothing to interfere. President Francois Mitterrand completed his 10th year in office, surpassing the tenure of Charles de Gaulle as the French leader. However, he has been besieged by problems. The legislature complains of his power, so enormous that much of their work is frustrated. His defense minister, Jean-Pierre Chevenement, resigned after publicly disagreeing with Mitterrand over the Gulf War. (Chevenement admired Saddam Hussein and opposed Mitterrand's decision to help the coalition forces.) In February, Chevenement was out and Pierre Jox became defense minister.

Prime Minister Michel Rocard also had his troubles. A long-time Socialist rival of President Mitterrand, he resigned in May, providing Mitterrand an opportunity to appoint faithful ally Edith Cresson as France's first woman prime minister. Nevertheless, the public's assessment of President Mitterrand changed dramatically downward during 1991. In May, at the 10-year mark of his presidency, Mitterrand still enjoyed great esteem among French voters. The polls at that time showed that he could easily defeat any opponent. By September, his public approval had dropped from its high point of 75 percent to just under 50 percent. Part of the reason for the turnabout rests on several "wrong calls" by Mitterrand: His initial view on the Soviet

coup was that it would endure; he voiced a "go-slow" position with respect to German unification; he was seen as opposing the move to independence by Latvia, Lithuania and Estonia; and he disagreed with Germany on recognizing the breakaway Yugoslav republics.

In addition to these foreign policy matters, Mitterrand is blamed for such internal problems as illegal immigration, which is adding to France's foreign population. Also, the unemployment rate is now one of the highest among EC countries.

In the international arena, France has been at the forefront in leading the EC toward a stronger political and monetary union. Jacques Delors, a possible contender for prime minister, is currently the president of the EC executive branch and is a driving force behind efforts to forge real political and monetary union in the EC. At the EC summit meeting in Maastricht in December, he was influential in getting the 12 member-nations to agree, with reservations, on a common currency. However, opposition led by the British and supported by several other nations blocked agreement with the French position that EC security should not necessarily be linked to NATO.

As the French position themselves as leaders in a more tightly integrated Europe, technology may be one of the more important elements of their strategy. France has become Europe's largest producer of nuclear power, cutting its own dependence on foreign oil by 40 percent in recent years. French electric power rates are well below those of other EC nations. The French investment in the English Channel tunnel demonstrates another commitment to great technological achievement. Airbus Industrie is second only to Boeing in the civilian aircraft industry, and the French telephone system—Telecom—asserts that it is the world's largest digitized switching system. (By 1995, Telecom plans to begin installing video phones in private homes.) Perhaps France's greatest technology achievement is the high-speed train which averages 168 miles per hour and has already carried 140 million passengers with no accidents. Power, transportation and high technology will characterize French progress in the decade of the 1990s, and should position France for an even greater leadership role in a more tightly-knit European Community.

Germany

Population: 79,548,000
Government: Federal republic
GDP: $1,157.2 billion
Per Capita Income: $14,600
Defense Expenditures: $34.4 billion
Armed Forces: Army—335,000; Navy—37,600; Air Force—103,700; Paramilitary—26,140; Reserves—1,009,400 all services
Total Regular Armed Forces: 476,300 (includes 7,500 interservice staff not listed above)

As 1990 ended, the political future for Germany appeared bright. Chancellor Helmut Kohl had a comfortable win in the December 1990 national elections. A champion of early reunification with the former (East) German Democratic Republic, Kohl had no difficulty defeating his Social Democratic Party opponent, Oscar Lafontaine. Also, his own Christian Democratic Union, along with its coalition partner, the Free Democratic Party, had a majority in both the upper and lower houses of the legislature.

However, within the first four months of 1991, the political scene changed drastically. The cost of reintegration of the eastern states was much greater than earlier estimates, thus jeopardizing the no-tax promise of Kohl's campaign. In addition, there was wide adverse reaction to the many "foreigners" moving into the West. Chancellor Kohl was perceived unable to solve the immigrant problem and to have reversed himself on no higher taxes. As a result, the Christian Democrats were soundly defeated in the April elections in Rhineland-Pfalz, Kohl's home state. The loss of seats gave the opposition party control in the upper house, which means that legislation initiated in the Free Democrat-dominated lower house can now be stopped by the Social Democrats.

One of the major issues facing Germany concerns support of military operations outside NATO. By common interpretation the German constitution bars the use of German military forces beyond the NATO guidelines area. Consequently, the government opted not to send forces to assist the allied coalition in the Persian Gulf. Chancellor Kohl and his Free Democrat foreign minister, Hans-Dietrich Genscher, favor changes to the constitution that would remove this restriction. The Social Democrats hold strongly to the restriction and, with control in the upper house, can block any legislation that would change it. Thus, the chancellor is frustrated in efforts to pursue an expanded role for Germany in the emerging security realignments for Europe.

Meanwhile, Germany has played a leading role in the future of the European Community. The EC had set its own December deadline to formulate a new political framework, to include defining its security role. France, Spain and Germany spearheaded a move for the Western European Union to be EC's military agent. Italy and Great Britain argued that the EC should agree on a common defense policy, but that its structure should not compete with NATO. The real issue here is the transatlantic link with the United States. As a member of NATO, the United States is a direct participant in European security matters which fall under NATO. Since the U.S. is not a member of the EC nor of the WEU, it follows that the German-French-Spanish concept would largely exclude U.S. involvement in European security matters. The British-Italian initiative would retain U.S. involvement through the NATO link. Both concepts agree on the WEU link for security matters which occur outside the NATO area. At the December EC summit at Maastricht, Netherlands, the matter was resolved in favor of NATO.

Despite many challenges, Germany's future looks bright. Foreign troop presence is being reduced by all the NATO allies. The Russians are leaving the former East bloc states as scheduled. Germany's voice in the EC and the WEU carries the weight of a strong economy, a large population and a leader in the European family of nations. Even after

planned force reductions by 1994, the Bundeswehr (armed forces) will still be 370,000 strong and a dominant force in the central region. The eastern states' (ex-East German) economy is on the rise with a projected 12 percent growth in overall production for 1992. Removal of nuclear weapons from German soil is satisfying a long-standing German desire. With 80 million people, a strong economy and growing relationships with France, Germany occupies a key seat in the European conference room.

Spain

Population: 40,083,000
Government: Parliamentary monarchy
GDP: $435.9 billion
Per Capita Income: $11,100
Defense Expenditures: $9 billion
Armed Forces: Army—182,000; Navy—39,800; Air Force—35,600; Paramilitary—63,000; Reserves—1,400,000 all services
Total Regular Armed Forces: 257,400

The January resignation of Deputy Prime Minister Alfonso Guerra, who was caught up in a financial scandal, was just the first of a series of problems that would plague the Spanish government in 1991. The significance of this otherwise less notable event is that Guerra and Prime Minister Felipe Gonzalez had been close friends and political associates since the 1960s. They had collaborated in clandestine opposition to the dictator Francisco Franco. Guerra was the chief architect of a scheme to take over the Spanish Socialist Workers Party, and it was Guerra who became Gonzalez's deputy assistant general secretary of the party. So it was more than just another change in the top administration; rather, it marked the end of an important period in Spanish politics. Within two months of Guerra's departure, Prime Minister Gonzalez shuffled his cabinet for only the fourth time in eight years.

The new cabinet's first challenge was to deal with the growing schism between Western Europe and North Africa. During the Gulf War, Tunisia, Mauritania, Algeria, Morocco and Libya strongly criticized the Western allies and openly expressed support for Saddam Hussein. Spain sided with the allies and allowed U.S. B-52 strikes to be launched from Spanish air bases. Foreign Minister Francisco Fernandez-Ordonez visited the five North African countries in an effort to extend economic cooperation. The Spanish government is looking for help, especially from Italy and France, in stabilizing North Africa. All three countries have good reason to want political and economic growth along the African northern littoral. Fifteen percent of Spain's oil comes from Africa, and Spain has already put $1.5 billion into Morocco to achieve closer ties and better relations with its neighbor to the south.

Spain is a strong supporter of European economic union. Prime Minister Gonzalez personally led the effort to get Spain into the European Community. Yet, while he supports a federal Europe, he advocates that it be approached gradually. In the area of security, Mr. Gonzalez began his first term by getting his party to reverse its opposition to NATO. Now, he wants to preserve the Atlantic link in the security role of the EC. Facing a general election in 1993, Gonzalez knows that the way he handles Spanish domestic concerns in 1992 will govern the way the votes go in 1993. One major domestic issue is the separatists (the Basques and the Catalans), both of whom seek independence based on their distinctive languages and cultures. Some have compared the Basque and Catalan separatist movements to the Croatian and Slovene fight for separation in Yugoslavia. In fact, the Slovene leader was invited to visit Catalonia in December 1990 and did so. Now, Mr. Gonzalez has a Catalan as his deputy and has appointed two other Catalans to his cabinet. Nevertheless, the people of the Basque and Catalonian regions have never been allowed to bring their views to a vote and there is now much pressure for just such a referendum.

Hosting the first-round talks of the Middle East peace conference in Madrid in October turned out to be a big success for the Spanish. For 1992, Spain will be in the international spotlight on two other projects: the Summer Olympics at Barcelona and the World's Fair at Seville. Assuming that both go well, Spain will reap the increased prestige that goes with this kind of success. From the dictatorship of the 1970s, Spain has marched a long road to democracy at home and has gained a growing respect in international fora.

Italy

Population: 57,772,000
Government: Republic
GDP: $844.7 billion
Per Capita Income: $14,600
Defense Expenditures: $21.3 billion
Armed Forces: Army—234,200; Navy—49,000; Air Force—78,200; Paramilitary—244,800; Reserves—584,000 all services
Total Regular Armed Forces: 361,400

During his six-month tenure in 1990 as the European Community's rotating president, Italian Foreign Minister Gianni de Michelis had steered the EC toward the goal of a European money union, despite strong opposition from British Prime Minister Margaret Thatcher. Also, Mr. Michelis helped steer a hard-line position by the EC in the Persian Gulf crisis in full support of the blockade of Iraq. At the same time, Prime Minister Giulio Andreotti's coalition government (the 49th since World War II) had survived for about a year and a half and seemed to be reasonably secure at the close of 1990.

However, there were some threatening issues coming into focus as the new year began. One of these was Italy's military secret service, called Gladio (Sword). Established in 1956 and aimed at a possible Warsaw Pact invasion, Gladio's existence was first admitted to Parliament this year. With the announced dissolution of Gladio, Italian communists began exploiting the revelation to show a con-

spiracy aimed at keeping the Communist Party (now renamed the Democratic Party of the Left) out of power. Even Mr. Andreotti's coalition partner, the Socialist Party, was leery of his attempt to legitimize Gladio.

Another administration embarrassment concerned more than 50 trillion lire ($45 billion) that was appropriated to rebuild more than 100,000 homes lost in the 1980 earthquake in Campania. The funds have all been spent over the years, but little has gone to help those who were most devastated by the catastrophe. A parliamentary commission investigative report concluded that most of the money was wasted or stolen.

A massive influx of refugees has posed concerns in Italy much as it has for Germany. As many as 20,000 Albanian refugees arrived in Brindisi in one week late last summer, whereupon Prime Minister Andreotti promptly declared them all economic, not political, refugees. With the great unrest and fighting in Yugoslavia, Italians worry that the Albanians might create an unmanageable situation for Italy. Dealing directly with the Albanian government, Andreotti was able to stem the tide for a while at least.

By the end of March, the 49th Italian government fell and the 50th took over. Christian Democrat Giulio Andreotti, prime minister for the seventh time, began this government with a policy paper proposing to halt the growth of the public debt, fight crime, improve one of Europe's worst communication systems, and reform some outdated Italian political institutions. The Italian debt has doubled in the last ten years and now exceeds one year's gross domestic product. Currently, the budget deficit of 10.5 percent of GDP and an outstanding debt equivalent of 103 percent of GDP far exceed the EC guidelines.

The new four-party coalition government consists of Christian Democrats, Socialists, Social Democrats and Liberals. It faces many challenges, not only because 1992 brings national elections but also because Italy must fix what is broken or face being outstripped economically and politically as Europe marches down the road to greater unity.

Greece

Population: 10,042,000
Government: Presidential parliamentary republic
GDP: $76.7 billion
Per Capita Income: $7,650
Defense Expenditures: $4.5 billion
Armed Forces: Army—113,000; Navy—19,500; Air Force—26,000; Paramilitary—30,500; Reserves—406,000 all services
Forces Abroad: 2,250
Total Regular Armed Forces: 158,500

As the Gulf War ended, Greece could view with pride the fact that it had backed the U.N. coalition in Southwest Asia. On the other hand, Greece also saw real problems in that rival Turkey had given even greater support, due in part to its favorable geography. American planes were able to use Turkish air bases for strikes into Iraq. Athens' main worry was that the Turks might gain another measure of favor in the eyes of the United States and thus be able to put pressure on Greece for concessions over their long-standing dispute in Cypress.

Since early 1990, when he replaced Andreas Papandreou as prime minister, Constantinos Mitsotakis has had difficulty bringing his New Democracy Party agenda into play. With only a two-seat edge, it was clear from the start that the new regime would have a difficult time. The first major issue facing Prime Minister Mitsotakis was the economy. Papandreou's Socialists had tripled the national debt in the eight years they ruled. Financial conditions in Greece were so poor that the EC warned Greece to take drastic measures to get its economic house in order or face losing its creditworthiness. That prompted Mitsotakis to take the necessary but unpopular action of instituting indirect taxes and cutting back index-based wage increases. He then negotiated a $3 billion loan from the European Community which came with some very tight restrictions.

With nine percent unemployment and 23 percent inflation in the first quarter of 1991, the economic challenges remained severe, and the remedies applied by Mitsotakis created others. For example, the trade unions reacted angrily and state workers in banks, public transportation and the power industry staged a three-week strike. The EC loan conditions require that by 1993, Greece must reduce its state employees by about 65,000 people (10 percent) and bring inflation down below 10 percent. Therefore, the tight policies that have been instituted will have to continue even though they create political heat for the New Democracy Party.

From the outset of his regime, Prime Minister Mitsotakis has favored a policy of full normalization of relations with the United States. His predecessor had pushed for complete withdrawal of U.S. bases from Greek territory. Secretary of Defense Richard Cheney ordered the closure of the U.S. air base at Hellenikon, near Athens. That was completed on June 28. On taking over, Mitsotakis approved the continued use of two U.S. bases on the island of Crete. The bases were an important logistical element during the operations in the Gulf War. Their retention for American use is an important element in U.S. security arrangements in the region.

In another foreign policy move, Mitsotakis formally recognized Israel, making Greece the last of the EC members to do so. At the same time, diplomatic status was conferred on the PLO office in Athens.

To add to its growing list of economic ills, Greece is now faced with an EC ban on trade with Yugoslavia. The Greeks estimate that they will lose about $10 million per day due to this blockade. Even in its dealings among friends such as those in the EC, Greece still finds itself in fiscal hot water. It has a very short time to meet the guidelines of the EC; inflation is too high, the national debt is too large, and unemployment is well above the EC average. It is clear that the government of Greece must tend to its fiscal issues or face the growing risk of losing EC support.

EASTERN EUROPE—A DIFFICULT TRANSITION

In the two years since the breakup of the communist regimes of Eastern Europe, many people have found that the legacy of communism may be almost as distasteful as living under a communist system. The totalitarian system that had so dominated their lives did not provide the infrastructure needed for these nations to attempt the difficult transition to democracy and a free-market economy. Until now, the state had absolute control over every institution including religion, the press, the courts, land and business ownership, the economy and the educational system.

In the past, other nations have been able to cope with changes, but rarely have they been as dramatic as the changes that are now unfolding in Eastern Europe. There has probably never been a period in history when such a large number of nations attempted the simultaneous transformation of their political, economic and cultural systems. The after-effects of living under such a flawed system for so long have been demoralizing and devastating to many, many thousands in the former communist bloc. The high hopes they harbored just two years ago have too often been tempered by the harsh realities of the transition.

While none of these countries has been free of turmoil, the plights of Yugoslavia (violent civil war) and Albania (food riots) are the worst. In many of the ex-communist countries the euphoria at the end of 1989 has been replaced by gloom at the end of 1991. With the exception of Poland and Czechoslovakia, few can see how they are any better off today than in the past. However, there are still many who, seeing the problems within their fledgling democracies, hold firmly to the belief that things will improve in the next few years.

No other ex-bloc country enjoyed the sponsorship of a rich relative as did East Germany. For the rest, an expected influx of Western capital has not materialized. Potential investors have been reluctant pending evidence of stability in several countries. In a number of others, Western investors are not fully convinced that free-market forces have entirely replaced the old hard-liners. Still, the emerging democracies need help if they are to compete in the world marketplace. More than economic handouts, these countries need free trade with the West. Most have an abundance of skilled, low-cost labor that should enable them to compete favorably in Western markets. It is in the best interests of the European Community and the Western world to assist Eastern Europe through its difficult transition.

Poland

Population: 37,800,000
Government: Democratic state
GNP: $158.5 billion
Per Capita Income: $4,200
Defense Expenditures: $2.1 billion
Armed Forces: Army—199,500; Navy—19,500; Air Force—86,000; Paramilitary—33,000; Reserves—507,000 all services
Total Regular Armed Forces: 305,000

The people of Poland are finding it more difficult to practice democracy and to establish a free-market economy than it was to be the first East European country to cast off the yoke of communism. Lech Walesa, the charismatic leader of Poland's Solidarity Movement, was elected president in a special early election on Dec. 9, 1990. Since then, he has found that the transition from a communist centrally-controlled system to a free and open society is indeed a rocky road. Politically, he has learned that popular support can rapidly diminish when the people's expectations are not being met. He also became acutely aware of the immensity of the task of reforming an economy devastated by 45 years of communist mismanagement.

Poland has the capability to be one of the leading nations in Eastern Europe if only it could muster the stamina and intellectual resources to weather the enormous challenges of the transition. It is the largest country in Eastern Europe in both geography and population. It has a homogenous populace consisting of 98 percent ethnic Poles, half of them under the age of 28. Part of the Polish problem appears to be that the young population holds such high expectations that the government is severely pressed in its attempts to meet them.

An extremely harsh economic reform program, instituted in 1990, has caused disenchantment, not only among the 10 percent (or two million people) who are unemployed but also among the hundreds of thousands who face possible layoffs as the government closes money-losing enterprises and converts others to private ownership. Yet, in some regards, the reform measures have started to help. Annual inflation, which was above 600 percent in 1989, is now down to about two percent each month. Many small private entrepreneurs are doing very well, and shelves are filled with imported foods and high-tech electronic equipment. Unfortunately, there are not very many in Poland who can afford these items, and the people have thus become rather disgruntled with economic reform. Most of them are finding it hard to accept that the price of freedom may mean having to make do with much less in the near term.

One of the more positive aspects of Poland's march to freedom occurred on April 9 when the first elements of the Red Army began their long-awaited pullout after 45 years of occupation. From a high of 58,000 troops in 1989, the Soviet Army in Poland was down to 35,000 by the end of 1991. But even the pullout was not without controversy. Ex-Soviet officers who come from an assortment of the republics are none too anxious to return home to face major

EASTERN EUROPE

uncertainties. For their part, the Poles have neither the desire nor the money to build housing for the returning troops as did the Germans. Both the ex-Soviets and the Poles are embroiled in claims, for damages to Polish property on the one side and for reimbursement for services rendered on the other.

A shocking aspect to the reform movement has been the level of graft and corruption that has accompanied the move to a free-market economy. Millions of dollars have been stolen by money manipulators simply because the people put in charge of the new financial management program lack the professionalism to adequately monitor it. A weak infrastructure that includes insufficient bank regulation is the legacy of decades of communist mismanagement. Then too, Poland still lacks the necessary computers and modern telecommunications to compete in world banking circles.

The frustrations of the people became abundantly clear during the parliamentary elections conducted on Oct. 27. Nearly 58 percent of the electorate decided to stay home. With about 100 parties vying for 460 seats in the Sejm, or lower house, none could do better than to win 13 percent of the vote. That means there are now 29 parties represented in the lower house, making it virtually impossible for President Walesa to form a cabinet or to select a prime minister who would be accepted by all.

There is no question that the waning popularity of the Solidarity Movement is having a profound influence on the progress toward democracy in Poland. Although Walesa retains a high degree of personal support from the people, questions are being raised concerning his political survival unless his government soon begins to function in a more unified manner.

Czechoslovakia

Population: 15,724,000
Government: Federal republic in transition to a confederative republic
GNP: $120.3 billion
Per Capita Income: $7,700
Defense Expenditures: $2.8 billion
Armed Forces: Army—87,300; Air Force—44,800; Paramilitary—34,200; Reserves—495,000 all services
Total Regular Armed Forces: 154,000 (includes some 21,900 ministry of staff and centrally controlled units for electronic warfare, training, logistics and civil defense not listed above)

Two years after the "velvet revolution" overthrew the communists, President Vaclav Havel has discovered that the least difficult step in leading Czechoslovakia toward democracy and market economics is the first one. Today he must struggle to preserve the unity of the federation against the efforts of separatists. At the beginning of 1990, the euphoria following the peaceful revolt would have made even the thought of a breakup seem ridiculous. Now that thought is expressed with great frequency, particularly by growing numbers of Slovaks who feel that their role in governing and in the distribution of resources is not equitable with their one-third of the federation's population. No one perceives the likelihood of a bloody civil war similar to that in Yugoslavia, but the possibility of dissolution of the Czech and Slovak Federative Republic is very real.

The resurgent nationalist tension that is tearing at the heart of Czechoslovakia's unity is probably the most serious problem the government now faces, but it is not the only one. The transition to a free-market economy has been particularly vexing. To further the transition process, the government removed price controls, eliminated most revenue-consuming subsidies and devalued the koruna.

Just as these measures seemed to be taking hold, two external events occurred that would have deleterious effects on the Czechoslovak economy. The Iraqi invasion of Kuwait and the subsequent war had a severe impact because of Saddam Hussein's large trade debt with Prague and because Czechoslovakia lost one of its major sources of oil. The other event impacting seriously on Czechoslovakia's economic recovery was the loss of its largest trading partner, the Soviet Union.

The Havel government has also received internal and external criticism because of the lack of progress in the privatization of state-owned enterprises. Most of that can be laid to the lack of a detailed privatization plan, which in turn can be ascribed to the shortage of professional business planners, a dearth of banking facilities and some terribly poor accounting procedures, all of which are the results of four decades of communist mishandling of the economy.

Another major challenge facing the amateur politicians who inherited the reins of power in Czechoslovakia is that of converting one of the world's leading arms manufacturing countries to more peaceful pursuits. Within weeks of the 1989 revolution, Foreign Minister Jiri Dienstbier proclaimed the end of his country's trade in weapons. He made no mention of the economic consequences. Such a move would swell the ranks of the unemployed by as many as 80,000, most of them workers in Slovakia, the country's most depressed region. Their best hope is that Western investors will provide the funds, equipment and technology to help make the transition. So far, one tank factory has converted part of its facility to making bulldozers for a German company.

If there was gloom on the social and economic scenes, there was cause for great jubilation in June when the last trainload of Soviet soldiers departed Prague after 23 years of often brutal occupation. With the Red Army out, many of the people turned their attention to the question of how to deal with those former communists who were able to hang on to their bureaucratic jobs and special privileges. A partial answer came from Parliament in the form of a law that would remove 100,000 communists from state bureaucracy and state industry.

The people of Czechoslovakia have crossed a number of formidable hurdles in their move toward democracy and a market economy, but there are still many more to overcome. Most Westerners are cheering them on to victory. However, the Czechoslovaks need much more than moral support if

they are to recover from 23 years of Soviet Army occupation and 45 years of communist rule.

Hungary

Population: 10,558,000
Government: Republic
GNP: $60.9 billion
Per Capita Income: $5,800
Defense Expenditures: $1.2 billion
Armed Forces: Army—66,400; Air Force—20,100; Paramilitary—18,800; Reserves—210,000 all services
Total Regular Armed Forces: 86,500

Much of Hungary's success in instituting major reforms can be attributed to the earlier start enjoyed over its Eastern European neighbors. Nearly a decade ago, the leadership of Hungary embarked on a program of "goulash communism" that entailed a mixture of communist political and capitalist economic systems. As a result of this early experimentation, Hungary has shown more progress in implementing structural, institutional and legal reforms than any of the old Warsaw Pact cohort.

Western investors have shown more interest in investing in Hungary than with any of the other members of the former Warsaw Pact. A major reason could be that the Hungarians themselves have displayed an entrepreneurial spirit not found among other former communist nations. As a new free-market democracy, Hungary has had advantages not available to others in similar circumstances. It has not suffered the ethnic strife found in Yugoslavia because Hungarians have always been a relatively homogenous people, even by Eastern European standards. There have always been many well-to-do in comparison to other communist nations, and the majority of the people live a rather comfortable life with some knowledge of the world beyond the Warsaw Pact. Within limits, the people could own property and were allowed to travel abroad. Hence, the transition to a democratic culture was not so traumatic as for some of the others.

By the end of June the last Soviet soldiers, who had occupied Hungary since 1956, were withdrawn. To help preclude another occupation, Hungarians have rushed to develop a series of regional bilateral treaties for mutual cooperation in economic and political endeavors. They evidence a keen desire to trade and deal in all areas with both East and West.

In spite of progress during 1991 in such areas as legal reform, privatization of agriculture and industry, and multiparty pluralism, Hungary still faces many problems. In the first place, there are the many challenges related to the dismantling of the communist system. Compounding that are a $20 billion debt, a weak government infrastructure and severe environmental problems. To make matters worse, the country suffered one of the worst droughts of the 20th century this past year and was severely impacted by high fuel costs as a result of the Persian Gulf War. In spite of this, Hungary's overall industrial output increased in 1991, a fact which has been viewed favorably by Western investors.

Overall, Hungary has a brighter future than most other nations in the region. Store shelves contain more meat, fresh vegetables and consumer goods than in any of the other emerging democracies. Should the Hungarian people be capable of continuing the progress made in 1991, it is likely that Western investment and assistance will continue to flow their way. With this, the people should continue to have more cause for optimism than their neighbors.

Romania

Population: 23,397,000
Government: Republic
GNP: $69.9 billion
Per Capita Income: $3,000
Defense Expenditures: $1.4 billion
Armed Forces: Army—161,800; Navy—19,200; Air Force—19,800; Paramilitary—53,200; Reserves—662,000 all services
Total Regular Armed Forces: 200,800

To many Western observers, the Romanian revolution is the one that never happened. Two years after the hated tyrant Nicolae Ceausescu was overthrown and executed, the nation is still being ruled by the same neocommunist elite that assumed power in 1989.

Ion Iliescu, an official in the Ceausescu regime and leader of the communist party's reformist wing, had been named interim president. Hatred of the former regime prompted leading anticommunist dissidents to throw in with Iliescu's National Salvation Front (NSF), granting him sufficient legitimacy to be elected president in May 1990. At the same time, Ceasescu's dreaded secret police, the Securitate, which was disbanded with the communist government, has returned under the guise of the Romanian Intelligence Service and is up to many of its old practices such as reading the mail, tapping the telephones and beating up on anyone who dares oppose NSF.

What seems to confuse non-Romanians even more is the apparent apathy toward political reform that pervades the nation. It's as though all the years of Ceasescu's brutality has destroyed their spirit. One thing they do seem to understand and dislike passionately is the government's economic shock therapy.

As one of the poorest nations in Europe, Romania has no hope of obtaining World Bank loans or attracting needed Western investment until it can institute a program of internal economic reforms. Iliescu's earliest attempts at reform have been thwarted by the retention of centralized government control. Land reform rules were prescribed in a manner that allows the government to retain control over agricultural production, and factory and farm managers appointed by the communists still take their orders from the Bucharest Central Committee Building.

Romanian dissatisfaction with the high rate of inflation and the reduction in social welfare programs, both resulting from the government's economic reforms, manifested itself

in violent riots in the streets of Bucharest in late September. Thousands of club- and pick-wielding coal miners battered everything and everyone in sight in their demands for higher pay and better living and working conditions. The best they could gain was the resignation of Prime Minister Petre Roman and a promise from Iliescu that things would get better.

Bulgaria

Population: 8,910,000
Government: Emerging democracy
GNP: $47.3 billion
Per Capita Income: $5,300
Defense Expenditures: $2 billion
Armed Forces: Army—75,000; Navy—10,000; Air Force—22,000; Paramilitary—166,000; Reserves—472,000 all services
Total Regular Armed Forces: 107,000 (excludes some 10,000 construction troops)

The major changes that occurred in Bulgaria in 1991 overshadowed even those that happened immediately following the 1989 resignation of long-time communist boss Todor Zhivkov. The transition from a hard-line communist system to a democratic society has not been easy for a country which in many ways was more communist than the Soviet Union. Bulgaria was essentially the 16th Soviet republic, totally reliant on Moscow for fuel and raw materials. In turn, the Soviets bought nearly everything manufactured in Bulgaria.

Under Soviet tutelage, Bulgaria became the major computer producer in the Council for Mutual Economic Assistance (COMECON). This industry employed 100,000 people and exported 90 percent of its output to the Soviet Union. Unfortunately, Bulgarian technology is so far behind the West that it cannot compete in the free world. Now, with the loss of its primary trading partner, this major industry is essentially out of business.

Bulgaria's recent measured steps toward a free-market society and a more open political system have led to increased cooperation on the part of the United States, although at a relatively low level. There have been some slight improvements in Bulgaria's trade relations with a few other nations during 1991, and that has contributed to the solution of severe food and fuel shortages.

One major problem for which a solution has not been found is the supply of electric power. From 30 to 40 percent of Bulgaria's power is derived from nuclear reactors that are extremely unsafe by all standards. Four of the six reactors are in such hazardous condition that the International Atomic Energy Agency has recommended they be shut down. To bring them close to safe operating standards will cost billions of dollars, and the funds to accomplish this are not available. To close them down would cause economic collapse, hence they pose a possible national disaster either way.

The political highlight of 1991 was the October election in which the parliamentary majority held by ex-communists was broken. The opposition Union of Democratic Forces, headed by Filip Dimitrov, captured 110 of the 240 available seats; the Bulgarian Socialist Party (ex-communists) took 106; and the remaining 24 went to representatives of Bulgaria's Turkish minority under the banner of the Movement for Rights and Freedoms.

As a result, Dimitrov, 36, is the prime minister, heading a youthful cabinet (most are in their early 40s) that is determined to move forward on the reforms which will establish a free-market economy, attract foreign investment and proceed with the privatization of industries and land ownership. Theirs is no simple task in a country where prices have risen 1,000 percent in the last year and unemployment has risen from nearly zero to more than 300,000.

Yugoslavia

Population: 23,976,000
Government: Federal republic in emergence
GNP: $120.1 billion
Per Capita Income: $5,040
Defense Expenditures: $3.5 billion
Armed Forces: Army—129,000; Navy—11,000; Air Force—29,000; Paramilitary—14,000 Frontier Guards; Reserves—510,000 all services
Total Regular Armed Forces: 169,000
Republican Forces: Croatia—National Guard still forming (about 22,000 men and police); Slovenia—Territorial Defense, mobilized by republic (some 60,000-70,000 men)

For the last half of the year, the people of Yugoslavia have borne the brunt of Europe's bloodiest fighting since World War II. Thousands of people have been killed since Croatia declared its independence on June 25, setting off an increasingly fierce war between the Serbian-dominated Yugoslav Army and the hastily organized Croatian forces. The Serbs say they fear the fate of 600,000 ethnic Serbs should Croatia become independent. Croatians see the Serbians attempting to create a "Greater Serbia" by dominating the richer but less populated republics of Yugoslavia.

Since its creation at the end of World War I, there has been much ethnic disunity and nationalistic bickering among the six republics and two autonomous provinces that make up Yugoslavia. The current disparity actually began in February when the richest and northernmost republic, Slovenia, passed a law allowing it to disassociate from Yugoslavia. The Slovenes, who consider themselves Germans rather than Yugoslavs, formally declared their independence in June. Croatia concurrently voted to give its own laws primacy.

On May 30 Croatia declared independence while asserting its intention to remain aligned with the other five republics only if Yugoslavia would be transformed into a loose association of sovereign states. The federal government in Belgrade pronounced both declarations illegal and sent the army into action, first against the Slovenes, then against the Croatians. Washington and other Western capitals had led

them to believe there would be no objection if they moved to keep Yugoslavia in one piece.

From that time forward, there has been no peace in Yugoslavia. Slovene territorial forces resisted the federals to the point of stalemate. Sporadic fighting during June and early July was marked by indecision on the part of the National Army in failing to apply the force needed to suppress the Slovene and Croatian uprisings. Later, the army pulled back from Slovenia and turned its full attention to Croatia. Within weeks Croatia's eastern border with Serbia became a full-scale battlefield, with federal aircraft often attacking militia positions around the capital of Zagreb. In the fierce fighting that raged into December, the eastern Croatian town of Vukovar was flattened and the ancient Adriatic port city of Dubrovnik was all but destroyed in a six-week siege.

A series of 14 cease-fire agreements were reached and breached—none lasted more than a few hours—by Christmas. At the turn of the year there were a number of events that made it seem possible for the 15th cease-fire agreement to take hold. Germany became the first country to formally recognize the independence of Slovenia and Croatia. That was soon followed by a similar move on the part of the 12 European Community nations. The government in Belgrade interpreted these endorsements to mean the final dissolution of the old Yugoslav federation and offered to settle for a U.N.-brokered peace plan. Under that plan, the U.N. would deploy a 10,000-man peacekeeping force in exchange for a cessation of hostilities.

On New Year's Day, U.N. envoy Cyrus Vance announced that both Serbs and Croats had indicated acceptance of the peace plan, with details concerning state borders to be negotiated. Once these were settled, the Slovenes and Croatians would have their independence; the Serbs would govern a new, smaller Yugoslavia; and the people of all these troubled lands would be able to concentrate their energies on recovering from six months of civil war and 47 years of communist domination.

Albania

Population: 3,335,000
Government: Nascent democracy with strong communist party influence
GNP: $4.1 billion
Per Capita Income: $1,250
Defense Expenditures: $129.4 million
Armed Forces: Army—35,000; Navy—2,000; Air Force—11,000; Paramilitary—12,000 internal security force and frontier guard; Reserves—155,000 all services
Total Regular Armed Forces: 48,000

Long known as Europe's poorest and most isolated country, Albania can now add the appellation of most unstable nation on the continent. The old communist rulers, reincarnated as the Socialist Party, are having trouble retaining power in the face of a reform movement now sweeping across the country. A series of violent strikes last spring forced the socialist government of President Ramiz Alia into a coalition with the opposition Democratic Party. But that shaky alliance was short-lived and Democratic leader Sali Berisha pulled his seven ministers out of the 21-member cabinet.

Conditions are so bad that more than 200,000 Albanians have illegally fled the country. The people are hungry, thirsty, cold and weary. Chronic food shortages have led to rioting, burglaries and attacks on bread trucks. Shootings, robberies and thefts have become rampant. In Tirana, the capital, the water is turned on for only a few hours each day for fear of overtaxing the decrepit water mains. Power outages leave most of the people in the dark most of the time. Public parks are rapidly becoming denuded as people cut down the trees for firewood. Three days of food riots in December caused President Alia to authorize the use of troops. In one instance, witnesses said that 700 armed looters ransacked a warehouse, making off with 30 tons of Western food and medical aid.

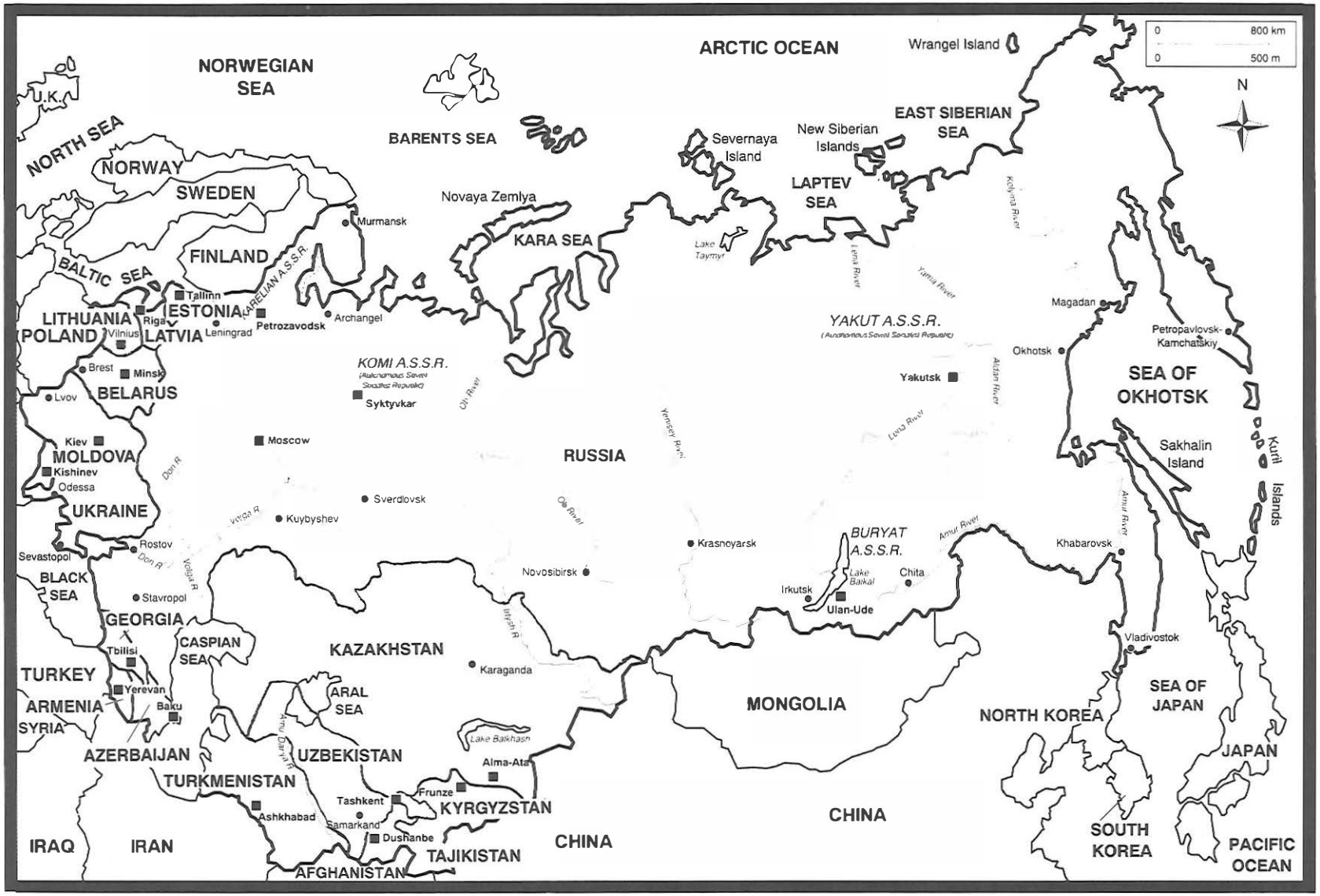
Even as the Socialists have been unable to restore order in Albania, so too they have failed to make a go of economic reforms. Unemployment estimates range from 20 to 50 percent, and prices have increased from three to five times in the last year while wages have remained the same. With agricultural and industrial production off by half since 1989, the frequent strikes are helping to push the economy over the edge.

Albania was the last of the East European countries to denounce communism, ending a 47-year reign of totalitarian and isolationist rule in December 1990. Assessing the first year's ineffective efforts to institute democratic reforms and establish a free-market economy, it now appears that those Albanians who do not flee will be the last in Eastern Europe to enjoy the real benefits of freedom.

THE SOVIET UNION IN 1991—THE DEATH OF AN EMPIRE

Population: 293,047,000
Government: In transition
GNP: $2,660 billion
Per Capita Income: $9,130
Defense Expenditures: $238 billion
Armed Forces: Strategic Nuclear Forces—280,000; Army—1,400,000; Air Defense Troops—475,000; Navy—450,000; Air Force—420,000; Paramilitary—580,000; Reserves—5,239,000 all services
Forces Abroad: 23,395 (excludes 338,000 in Germany and 35,000 in Poland)
Total Regular Armed Forces: 3,675,000 (includes about 650,000 Ministry of Defense staff, centrally controlled units for electronic warfare, training, logistics and civil (territorial) defense, but excludes some 424,000 railway and construction troops and 570,000 KGB and MVD)

COMMONWEALTH OF INDEPENDENT STATES



In 1991 the land now commonly referred to as "the former U.S.S.R." continued in crisis of monumental proportions. Great political and economic conflicts rose and spread, ripping the central government to shreds. Conservative forces rallied at mid-year and mounted a fierce counterattack, seeking to regain power through coup d'etat. In the meantime, ancient feuds raged in the republics where ethnic and tribal animosities had lain dormant for decades. Surprisingly, however, the society as a whole managed to maintain a degree of self-control and to look, for the most part, to the political process for solutions to its many difficulties.

1991 may be best remembered as the year that the enormous power concentrated in "the center" in Moscow devolved to the Soviet republics. Virtually all of the republics declared their sovereignty and independence from the union, and yet the central government hung on, coaxing and pleading with the republics for some sort of cooperation for the life of the community. The command-directed economic machinery staggered onward but provided fewer and fewer goods for the people. Unemployment, strikes and falling revenues from declining foreign trade battered the system from all directions, drastically undercutting the standard of living for all but the most privileged and financially well-insulated in the country. The currency plummeted in value.

President Mikhail Gorbachev swung, pendulum-like, from pole to pole, appearing as a democrat one day, and a reactionary another. In January, deeply concerned over the directions being taken by some of the democratic forces he had fostered, he authorized the use of troops to maintain control in the Baltic republics. On Jan. 11, troops stormed the press center in Vilnius, Lithuania, injuring seven persons. On the 13th, paratroopers attacked the television tower, shooting six people and beating and running over others. The death toll for that day was placed at 15. On the 20th, "black berets" of the Interior Ministry (MVD) attacked the headquarters of their Latvian counterparts in Riga, killing five and wounding nine. Boris Yeltsin, popular leader of Russia, the largest republic, joined in the public outcry against such measures and warned against further use of force.

Outside of Moscow, the separatist Georgian parliament voted to create a national army, beginning with its own internal security force. Pro-Russian Ossetians in Tiskhinvali battled to detach themselves from the republic and to remain in the union. Twenty persons died in the fighting; 150 were injured. Thousands of others fled. Gorbachev vowed to preserve the union but hesitated to use further force.

In Lithuania, the people voted overwhelmingly (13 to 1) for independence. Within two days the parliament in Vilnius confirmed the vote unanimously. In Moscow, Yeltsin, backed by mass demonstrations in the streets, called for Gorbachev's resignation for his failing leadership.

Strikes broke out in the Siberian coal mines in March, growing in strength and posing a serious challenge to the president's authority. Gorbachev's ability to influence events was palpably on the wane. Few paid any attention to the presidential order prohibiting demonstrations in Moscow. Yeltsin, ever the populist, said it was time to "declare war" on the union leadership. A referendum reflected support for both men, but the three Baltic states, as well as Georgia, Armenia and Moldavia, boycotted the vote. Instead, additional republics passed measures for independence.

Price rises directed by the central government provoked stiff resistance about the country, particularly in Minsk. In an effort to calm the situation and to spread the responsibilities (and blame) of government, Gorbachev agreed to share power with the republics.

He was just in time: The true scope of the 1986 Chernobyl nuclear plant disaster was just becoming clear. An area in the Ukraine the size of Holland had been poisoned by radiation ten times the dose delivered by the Hiroshima bomb. Some 200,000 people had been evacuated, but now it was clear that five million others were still living in a contaminated zone. According to one Soviet nuclear expert, the catastrophe "demonstrated the insanity of the command-administrative system." The revelations drove one more nail into the coffin of communist control.

In Georgia, Soviet troops were able to stem the fighting between the republic government and the Russian-leaning Ossetians, but only after 50 citizens had been killed. The government declared its independence from the union in April, and the leader, Zviad Gamsakhurdia, with some hyperbole, "declared war" on the center. In Moscow, Yeltsin gained the title of president and additional economic powers.

In a moment of sanity, ten republics (excepting the Baltics, Georgia and Moldavia) agreed to the drafting of an economic pact for the operation of the country. With 2.5 million persons out of work, some organization of the economy was desperately needed. But Gorbachev was having trouble within his own house. Prime Minister Valentin Pavlov, with the backing of Defense Minister Dmitri Yazov and KGB chief Vladimir Kryuchkov, attempted to ram a law through the legislature giving Pavlov power to issue decrees without Gorbachev's approval. Gorbachev was able to deflect the blow, but it was only a precursor of what was to come the next month. The country was rapidly losing consistency.

On Aug. 19, Gorbachev's vice president, Gennadi Yanayev, announced that Gorbachev, then vacationing in the Crimea, was ill, and that an eight-member "State Committee for the State of Emergency" would rule in his absence. A KGB detachment sealed off the president's residence and cut all communications to the outside. Gorbachev became a prisoner, incommunicado.

Yeltsin, newly elected president of the Russian Republic, saw through the facade immediately and declared the actions of the committee illegal before a crowd of 20,000 people in central Moscow. Three divisions of troops, under KGB control, were dispatched to the capital, but with no clear idea of what they would do upon arrival. Some units attempted to break through a barricade of busses which people had arranged around the Russian government "White House," but others went over to the side of Presi-

dent Yeltsin and his democratic followers. The KGB "Alpha" detachment which had been primed to attack the building remained in limbo without clear orders, and the coup gradually began to unravel. Three of the most senior military officers, the commanders-in-chief of the Air Force, the Strategic Rocket Forces and the Navy, refused to have anything to do with the coup and attempted, albeit unsuccessfully, to talk Defense Minister Yazov out of it as well.

By the end of the second day it was becoming apparent that the move had been poorly conceived and even less well executed. Panic set in among the plotters. Marshal Yazov resigned from the committee and shortly thereafter, Boris Pugo, the interior minister, shot himself. While not a member of the committee, the much-admired former chief of the General Staff and special advisor to President Gorbachev, Marshal Sergei Ahkromeyev, hanged himself, because, he said in a note, everything he had worked for all his life was being destroyed.

The attempted coup focused fresh attention on the security of the Soviet nuclear arms stockpile. Concern had been growing over risks inherent in the distribution of the weapons, particularly among the more separatist-inclined republics. There was reason to believe that the coup plotters obtained access to the authentication codes used in connection with nuclear release orders and that the situation was somewhat more dangerous than the Soviet government was willing to admit. The full facts of the case, like those relating to the Chernobyl incident, may not be known for some time. In any event, the coup attempt illuminated a serious problem attendant to the revolution underway in the country.

But the coup did much more. To a considerable degree it cleared the air and the way for the emerging democratic leadership to pursue initiatives which might not have otherwise had a chance. Gorbachev cleaned house: The surviving members of the coup committee were jailed and investigations launched to root out important supporters. Vadim Bakatin, so recently ousted as interior minister, was appointed chairman of the KGB with a charter to disarm the infamous "government within a government."

The former commander-in-chief of the Air Force, Col. Gen. Evgenii Shaposhnikov, who played an important role in bringing down the plotters, was appointed defense minister and promoted to the grade of marshal of aviation. His appointment was followed by the forced retirement of many senior officers, including virtually all of those in the political branch. Shaposhnikov redirected the program for perestroika in the armed forces to place much greater emphasis on professionalization. All political positions were abolished and the service of conscripts cut back from two years to 18 months.

Just as the failure of the coup cleared the way for more democratic initiatives at the union level, so it did throughout the country. An almost immediate effect was the acceleration of the shift of power away from the center toward the republic governments—most particularly toward President Yeltsin's Moscow-based regime.

The MVD "black berets" soon left their posts in Latvia and Lithuania, and Leningraders renamed their city St. Petersburg. In September, the national Congress of Peoples Deputies formally ceded authority to the republics. The union administration was reduced to a transitional State Council (composed of Gorbachev and the presidents of the republics) and a bare shell of what had probably been the largest bureaucracy on earth. The first significant act of the council was to accept the secession of the three Baltic states. The act was followed shortly by formal recognition by the United States and other Western countries.

Significantly, the central government was left without authority for direct taxation. That power had devolved to the republics. Unsurprisingly, considering the deep economic problems of the country, financial support of the center was not the first item on the agenda of many of the republics. And, as financial support waned, so did the influence of the union administration. Toward the close of the year Gorbachev's effective role of stewardship was becoming evermore constrained.

The diminution of Gorbachev's power and prestige at home greatly weakened the restraining influences of the central government for dealing with interethnic conflicts. The Azeri-Armenian conflict flared again in September, this time to be soothed, at least for a while, not by Gorbachev, but by Presidents Boris Yeltsin and Nursultan Nazarbayev of Russia and Kazakhstan respectively.

In early December, the former Ukrainian party boss, Leonid Kravchuk, won a landslide victory for the new democratic presidency of his home republic. At the same time, by referendum, the people voted overwhelmingly (90 percent) for independence from the union, despite last-minute appeals to the contrary by Gorbachev. Yeltsin ignored Gorbachev and lost no time in extending recognition to the new state on behalf of the Russian Republic.

In another grand gesture but, perhaps, a fatal blow to the union, Yeltsin agreed to assume the huge obligations and debts of the bankrupt central government. Even Gorbachev would have to draw his paycheck from a Russian republican office.

In mid-December Yeltsin joined with his counterparts in Belarus (formerly Byelorussia) and Ukraine to form a Commonwealth of Independent States, with its official seat to be located in Minsk rather than Moscow. Gorbachev objected vociferously, but his voice was carrying less and less weight. The only serious question regarding his office was how soon it might be disestablished. During a visit to Moscow, U.S. Secretary of State James Baker called on Gorbachev, but more as a gesture of respect to an elder statesman than as a significant act of statecraft. He met first with Yeltsin to deal with substantive issues. Significantly, Marshal Shaposhnikov, the defense minister, appeared only in company with Yeltsin, reflecting the new chain of military command emanating from the Russian president. Gorbachev still claimed the title of commander-in-chief of the armed forces, but it was clear that the baton had been passed.

Secretary Baker was assured that Soviet nuclear weapons would remain under tight control by legitimate authority,

and that those surviving the previously agreed reductions would eventually be consolidated in the Russian Republic. However, the path to an understanding of the status of all international agreements made in previous years by the U.S.S.R. (some 15,000 treaties) was far from clear. Most of this would have to await the maturation of the commonwealth—assuming it proved viable.

Events accelerated as the year drew to a close. On Dec. 21, the leaders of all republics except Georgia pledged support to the new commonwealth. President Gorbachev resigned on Christmas Day. Marshal Shaposhnikov was appointed interim commander-in-chief of the armed forces, pending a settlement of how the forces might be aligned in the new year. The white, blue and red banner of the old Russia was raised over the Kremlin and at the United Nations, where Russia assumed the seat of the former U.S.S.R. Yeltsin accompanied this move with a demand for the Soviet seat on the Security Council—and received assurances of U.S. support.

But civil strife continued to bedevil corners of the former empire. Most serious was the fighting in Tblisi, Georgia, where prodemocratic elements besieged President Gamsakhurdia, the popularly elected but dictatorial leader. More than 50 persons were killed and over 300 wounded in the final days of the year. Russian troops sent to the Armenian enclave of Nagorno-Karabakh in the center of Azerbaijan to maintain the peace were withdrawn, permitting the warring factions to renew hostilities until another cease-fire could be arranged.

President Bush promised recognition of the independence of all twelve republics but planned initially to seek formal diplomatic ties only with those which had committed themselves to democratic principles and free markets: Russia, Ukraine, Belarus, Armenia, Kazakhstan and Kyrgystan (formerly Kirghizia).

While enormous problems persisted, the message emanating from Moscow at the end of the year was at once hopeful and pessimistic. Hundreds of persons had died in violence during the year, but the society had managed to maintain a semblance of political stability in the face of great economic stress. How the mounting problems of the emerging commonwealth and its member-republics are attacked in the coming months could well determine their fate for many years.

AFRICA—THE FORGOTTEN CONTINENT?

Eastern Europe and the Soviet Union have no monopoly on the turmoil born of political and economic upheaval. While Western heads of state conferred about the mechanics of providing massive food aid to the suddenly independent republics of the former Soviet Union, 23.3 million people on the African continent were at risk of starvation. Somalia, Sudan, Angola, Ethiopia, Liberia, Mozambique and others were suffering the ravages of war. And, while world governments pondered the possibilities of shoring up the crumbling economies of members of the new Commonwealth of Independent States, African nations that had traded *their* Marxist policies for free-market systems were sinking into economic oblivion. Africa is the only continent on earth where the average person was poorer at the end of the decade than at the beginning; where per-capita income *decreased* by more than 25 percent.

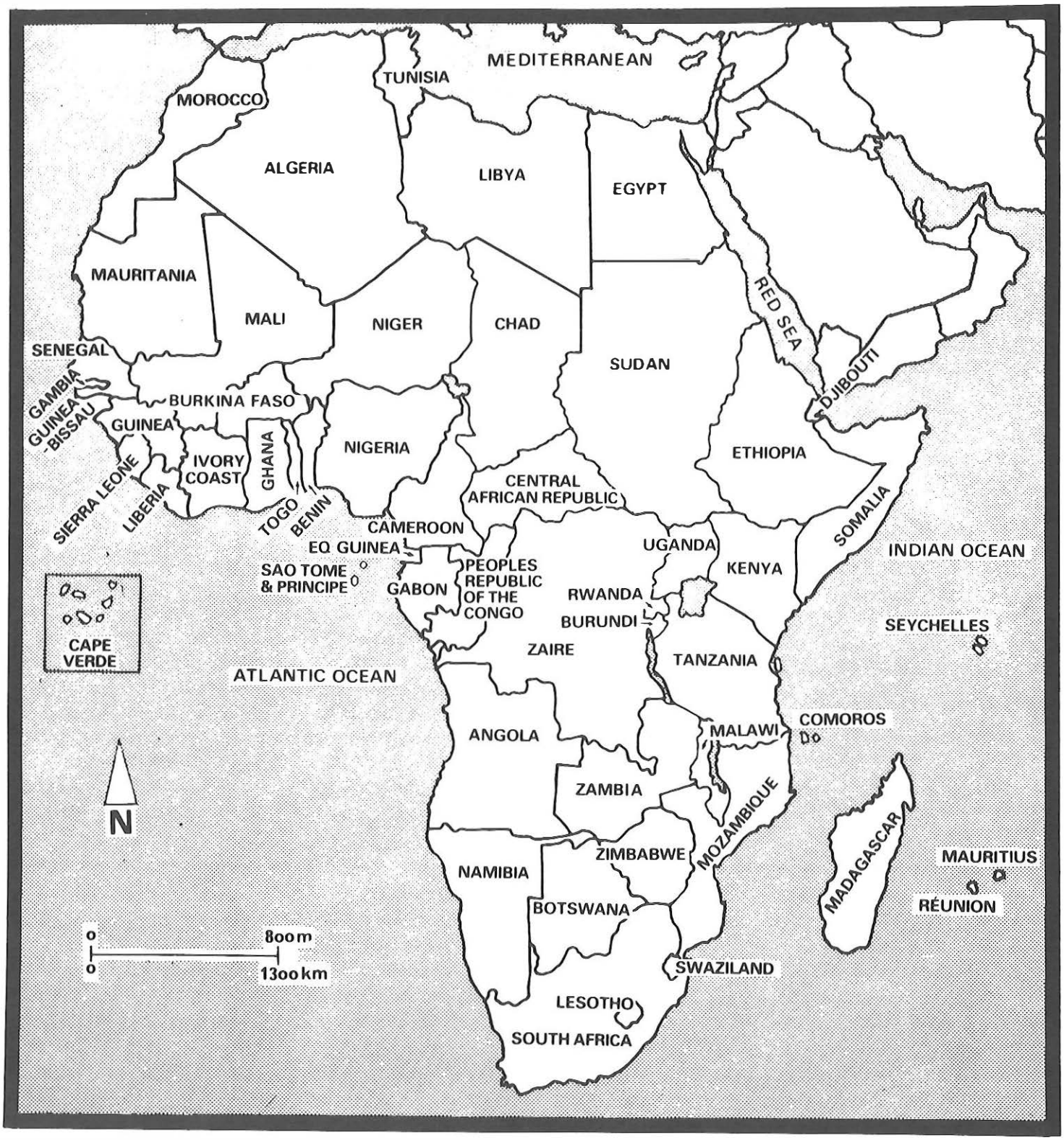
Africa is also being ravaged by AIDS, a scourge that has only begun to touch the rest of the world in significant numbers. An estimated six million people on the African continent are infected with the HIV virus. In four countries (Uganda, Malawi, Rwanda and Zambia) at least 20 percent of the population is infected. Four additional countries report an infection rate of 10 to 20 percent, and in at least five others the rate is five to 10 percent.

Reform was the byword for most of Africa in 1991. South Africa's slow and painful rejection of apartheid picked up speed, as did Algeria's flirtation with Islamic fundamentalism. Governments in Niger, Mozambique, Guinea-Bissau, Western Sahara, Congo, Mali, Kenya and Nigeria made plans for the adoption of multiparty democracy, while Chad's president made promises. Zaire's intransigent President Mobutu Sese Seko refused to step down when his term expired Dec. 4, so the planned transition to democracy is at a standstill.

Islamic fundamentalism, which draws most of its supporters from the ranks of poor young people in overpopulated countries, may someday be as pervasive in Africa as Marxism once was. The fundamentalist government of Sudan and the increasing likelihood of such a government in Algeria have made the leaders of Tunisia, Morocco and Nigeria aware of their own vulnerability.

At the height of the Cold War, the United States and the Soviet Union were bidding for Africa's attention with incredible amounts of economic, military and agricultural aid. The two superpowers frequently offered advisors to mediate internal conflicts and disputes between neighboring countries. Unfortunately, the food and the money earmarked for economic development often failed to reach the people, and the arms were sometimes used against them by their own governments. In other cases, the arms did reach the people, who used them against one another—and continue to do so. In the 1980s, Western aid packages developed a few strings, such as requirements for economic reform. By 1990 many of the countries so dependent for survival on foreign aid (or foreign trade) were called on the carpet for human rights abuses, punishable by withholding aid and/or imposing economic sanctions. In 1991 the Soviet Union was no longer able to provide aid or advice, and the United States (and most of the former colonial powers) were taking the position that African problems should have African solutions. Although less involved in the internal workings of African nations than in years past, the United States continues to provide substantial aid. In Fiscal Year 1991, the 47 nations of sub-Saharan Africa received a total of $806.5 million in development funds; a total of $592.8 million in food aid was sent to 32 sub-Saharan states.

AFRICA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NIGERIA
ETHIOPIA
SIERRA LEONE
LIBERIA
TOGO
BENIN
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SOMALIA
CAMEROON
EQ GUINEA
UGANDA
INDIAN OCEAN
SAO TOME & PRINCIPE
GABON
PEOPLES REPUBLIC OF THE CONGO
KENYA
RWANDA
BURUNDI
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The stated goal of U.S. diplomacy, to promote democracy and political stability, has been met in some African nations and is within reach in others. But the cost—economically, environmentally and perhaps morally—has often been high. Even where democracy has been achieved, peace and prosperity have not always followed.

Algeria

Population: 26,022,000
Government: Republic
GDP: $54 billion
Per Capita Income: $2,130
Defense Expenditures: $660 million
Armed Forces: Army—107,000; Navy—6,500; Air Force—12,000; Paramilitary—23,000; Reserves—150,000 Army
Total Regular Armed Forces: 125,500

Two years ago, when President Chadli Benjedid first took steps to reform his nation's single-party government, he envisioned Algeria's reincarnation as North Africa's first Arab democracy—with his own ruling National Liberation Front (FLN) still firmly entrenched. By the end of 1990 FLN's supremacy had been seriously undermined and the fundamentalist Islamic Salvation Front (FIS) appeared on its way to power. Riding a wave of public dissatisfaction with FLN's corrupt and ineffective government, FIS achieved some 55 percent of the vote in local elections in the first free multiparty balloting since independence from France in 1962.

Benjedid reluctantly scheduled a parliamentary election for June 27 and revised the electoral law in a manner that unfairly favored his FLN. An FIS-sponsored general strike in May was quickly followed by bloody rioting, prompting Benjedid to announce a state of siege and dismiss his government and name a new cabinet. He also postponed the election and jailed FIS leader Sheik Abbasi Madani and other party members for inciting their followers to violence. At this writing they continue to languish in jail.

The election was rescheduled for Dec. 26 and drew about 60 percent of Algeria's 13.3 million eligible voters. FIS won 188 seats (almost 44 percent) while FLN captured only 15 seats, finishing third behind the liberal Berber-based Front for Socialist Forces, which took 25 seats.

The FIS victory means that the people of this Western-oriented nation clearly want a change from the hardships of life under the thumb of Benjedid. Algeria's inflation rate is running at more than 40 percent, and unemployment stands at around 30 percent. Housing and consumer goods are in short supply. Petrodollar revenues are off by two-thirds, and the nation carries a foreign debt of $25 billion. Almost 75 percent of the burgeoning population of 26 million is under the age of 30; more than one-third who leave school have no jobs, and almost all young Algerians live a subsistence lifestyle at best.

Algeria's economic woes were a driving force for the fundamentalists, whose followers are primarily young and poor and seeking a better life. But they may be getting less than they bargained for under FIS. Even before the election, there was rumbling about FIS mismanagement of local governments and considerable negative response to the fundamentalists' efforts to impose harsh Islamic religious law. One week after the election, an antifundamentalist rally in Algiers demanded cancellation of a runoff election in the hope that the army would intervene to prevent the transfer of power to the radical Muslims.

On Jan. 11, 1992, the army forced the resignation of Benjedid and seized power. A military-backed governing committee was formed, exiled freedom fighter Mohammad Boudiafe was called back to lead the new council, and the runoff election was cancelled. At this writing at least 500 fundamentalists (including members of the FIS executive committee) have been arrested, and the army is continuing its show of force in Algiers.

Liberia

Population: 2,730,000
Government: Republic
GDP: $988 million
Per Capita Income: $400
Defense Expenditures: No valid estimate
Armed Forces: As a result of the civil war the armed forces of Liberia have ceased to exist and all their equipment has been destroyed or is unserviceable.

One year ago Liberia stood poised on the threshold of peace while Charles Taylor, Prince Johnson, Dr. Amos Sawyer, Maj. Gen. Joshua Dogonyaro and Brig. David Nimley argued the question of leadership for a nation ravaged by months of bloody rebellion. Although headlines proclaiming an agreement appeared periodically throughout the year, that question remains sadly unanswered.

Taylor, leader of the National Patriotic Front of Liberia (NPFL) and instigator of the rebellion against the brutal and corrupt regime of President Samuel K. Doe, now controls all of Liberia except the capital city of Monrovia. He has closed all the roads outside Monrovia and established what he insists is the rightful government of Liberia in Gbarnga, a provincial capital 125 miles away.

Johnson, leader of the splinter group which broke away from NPFL, assassinated Doe and took control of most of Monrovia. Now encamped outside the capital, he is no longer a major player, but he nevertheless remains a factor in the determination of Liberia's future, as well as a security risk for Taylor.

Sawyer returned from exile in the United States in October 1990, brought back by the 16-nation Economic Community of West African States (ECOWAS) to serve as interim president. He still holds that position. His internationally recognized Interim Government of National Unity is made up of representatives from most of Liberia's political parties, armed factions and civic, professional and religious organizations.

Dogonyaro, Nigerian commander of the five-nation (Ni-

geria, Ghana, Guinea, Sierra Leone, Gambia) Economic Community Monitoring Group (ECOMOG) sent to Liberia in August 1990 by ECOWAS to try to end the civil war, has been replaced by another Nigerian, Maj. Gen. Ishaya Bakut. The peacekeeping force, now in control of Monrovia (and surrounded by Taylor's forces), has been augmented—with the assistance of the United States—by troops from Senegal and Guinea-Bissau.

Nimley, proclaimed president by the U.S.-trained Krahn forces of the ousted government following the assassination of their tribesman, Samuel Doe, is also out of the picture. The remnants of Doe's army, now led by Gen. Hezekiah Bowen, no longer figure large in the leadership negotiations. Although the interested parties (or their representatives) have come together several times during the year to try to iron out a settlement, no agreement has been implemented. The major roadblock to peace would seem to be Taylor; deeply resentful of the presence of the peacekeeping force, he has reneged more than once after signing an accord.

The most recent meeting, held in October in Ivory Coast, resulted in an agreement calling for disarmament of Taylor's forces—beginning Nov. 15 under the watchful eye of ECOMOG—within 60 days. The accord also called for elections, monitored by former President Jimmy Carter's International Negotiation Network, to follow in six months. At year's end Taylor still refused to begin the disarmament process until a rival Liberian rebel group, the United Liberation Movement for Democracy, had withdrawn from western Liberia.

Between meetings, Taylor has actively campaigned throughout the country in anticipation of the presidential election. NPFL would seem to have the upper hand, with Liberia's only functioning television transmitter under their control and a continuing source of funds from the export of Liberian timber, rubber, iron ore and diamonds. However, voters may well take into consideration Taylor's rumored ties with Libya and the fact that this American-educated former procurement officer escaped in September 1985 from the Plymouth County, Mass., jail, where he was being held pending extradition to Liberia on embezzlement charges.

Putting Liberia back together will be a monumental task for the new president, whoever he may be. In this nation of 2.6 million people (some 70 percent farmers), agriculture is at a standstill. Long one of the world's poorest countries, Liberia has a foreign debt of $3 billion and, in 1987, became the first nation to be suspended from the International Monetary Fund and the World Bank.

An estimated 20,000 to 30,000 people were killed during the two-year civil war, and many thousands have been displaced. Liberian refugees in Guinea number some 500,000, while approximately 320,000 have fled to Ivory Coast. Some observers suggest that a free and fair election may not be possible with so many eligible voters out of the country.

Libya

Population: 4,350,000
Government: Military dictatorship
GNP: $24 billion
Per Capita Income: $5,860
Defense Expenditures: $1.5 billion
Armed Forces: Army—55,000; Navy—8,000; Air Force—22,000; Paramilitary—5,500; Reserves—40,000 people's militia
Total Regular Armed Forces: 85,000

During the Persian Gulf War, headline-grabbing Col. Muammer el-Qaddafi kept a relatively low profile, reportedly at the behest of Egypt's President Hosni Mubarak. Mubarak had suggested that a positive American response to Qaddafi's unusually moderate behavior during the Gulf War might be in order; U.S. officials demurred. Later in the year Libya was again in the news in connection with the 1988 terrorist bombing of Pan Am Flight 103 over Lockerbie, Scotland, and the 1989 bombing of a French UTA airliner over Niger.

France issued arrest warrants for four Libyans implicated in the UTA bombing, in which 177 people died. Investigation of the Pan Am bombing, which took the lives of 270 people, implicated two Libyan intelligence agents, who were indicted by the United States and Britain in November.

American and British demands for the surrender of the two Libyan agents and similar French demands for the Libyan suspects in the UTA incident were refused by Qaddafi on the grounds that there are no extradition treaties between Libya and the three Western nations. At year's end, the United States, Britain and France were engaged in a campaign to win international support for a United Nations Security Council resolution imposing sanctions against Libya to force surrender of the suspected terrorists.

Qaddafi has long since alienated many of his neighbors (as well as a large part of the Western world) through his inveterate meddling in the affairs of other nations. He reportedly armed the guerrilla forces that overthrew the governments of Chad and Liberia last year. He resupplied two rebel groups fighting for control of Ethiopia and furnished arms to ethnic rebel groups engaged in tribal warfare in Rwanda, Niger and Mali. He is also reported to have provided military training in Libyan camps for dissidents from Gambia, Ghana, Senegal and Sierra Leone, as well as financing for a radical Palestinian organization—Ahmed Jibril's Syrian-backed Popular Front for the Liberation of Palestine, which operates in Lebanon. He allows the Abu Nidal organization, responsible for nearly 100 terrorist attacks since 1974, to operate out of Tripoli and offers passports, diplomatic papers and logistical support to other terrorist groups. He has also been involved with dissidents from Indonesia, New Caledonia, Trinidad and the Philippines and has provided both arms and financial support to the Irish Republican Army. Qaddafi is said to have contributed more than $100 million to Gen. Manuel Noriega's ill-fated struggle to retain control of Panama.

Contrary to his repeated denials, Qaddafi is still engaged

in the manufacture of chemical weapons. The Rabta facility located 40 miles southwest of Tripoli, supposedly destroyed by fire in 1990, is fully operational and he is now building another plant.

The Bush administration also reported in June 1991 that Qaddafi was negotiating with North Korea to purchase a new intermediate-range ballistic missile system that would allow Libyan-based missiles to strike at Tel Aviv, Cairo, Athens and Rome. Recently a Russian nuclear scientist reported that Libya had offered jobs to at least two of his coworkers; he said they refused but might reconsider for more money. Qaddafi's latest obsession is a $25 billion "artificial river," built to transport potable water into the desert. Even his own people have exhibited little enthusiasm for this high-ticket dream that analysts say is far and away more expensive than importing agricultural products from other countries. Meanwhile, Libya's roads, schools and hospitals (an earlier Qaddafi obsession) are falling into a state of disrepair and the yearly inflation rate stands at 300 percent.

As he begins his 23rd year as dictator, Qadaffi has achieved an adversarial relationship with most of the major powers in the world. Those of his neighbors who maintain any sort of relationship with Libya seem, at best, embarrassed by his capacity for troublemaking, while others view his instability with trepidation. Qaddafi's only internal threat, however, would seem to be a few Muslim fundamentalists, whom he is able to repress through arrests, detention and torture.

Sudan

Population: 27,220,000
Government: Military
GDP: $8.5 billion
Per Capita Income: $330
Defense Expenditures: $460 million
Armed Forces: Army—65,000; Navy—500; Air Force—6,000; Paramilitary—3,000
Total Regular Armed Forces: 71,500

More than eight years ago the rebel Sudan People's Liberation Army (SPLA), representing the black Christian and animist population of the south, took up arms in pursuit of administrative, economic and political reforms by the predominantly Arab fundamentalist Muslim government in the north. In that time the Sudanese have seen four such governments (each more determinedly fundamentalist than its predecessor) and the deaths of many hundreds of thousands of people.

Sudan's current president, Lt. Gen. Omar Hassan Ahmed al-Bashir, has apparently accepted the futility of trying to impose Islamic religious laws—known as sharia—on a non-Muslim population. In January he signed into law a criminal code applying sharia to the Muslim north but not to the Christian/animist south.

The ruling National Salvation Revolutionary Command Council (RCC) announced in August that Bashir and SPLA leader Col. John Garanga were in agreement on the importance of preserving national unity under a new federal system which would give the south more autonomy. Unfortunately for the peace process, SPLA was already beginning to unravel from within. A splinter group called Nasir broke away from the mainstream rebel group, accusing Garanga of waging a reign of terror within SPLA, and by late December had gained control of approximately half of the 300,000 square miles of southern Sudan previously dominated by SPLA.

In the meantime, Bashir was finding it more difficult to compromise on the government's policy of total self-sufficiency for Sudan than on the imposition of sharia. He steadfastly denied the existence of famine and thwarted almost every effort by international relief agencies to come to Sudan's aid. With cold indifference to the desperate plight of his people, he diverted relief supplies to his own army and sold off Sudan's grain reserves to finance the war against the southern rebels.

Finally, in February, heavy diplomatic pressure from Western governments forced Bashir to agree to the resurrection of Operation Lifeline to deliver food to the war-torn south. He also agreed to a separate U.N. operation for the north, where the drought has been more severe. U.N. officials planned to transport about 800,000 tons of food into northern Sudan and 300,000 tons into the south in 1991. However, continued stalling by the Sudanese government, coupled with a crumbling infrastructure and fighting between the two rebel factions, has made delivery almost impossible, and much of the food has never reached the people.

While government forces continue to fight the rebels and the rebels fight one another, the people starve. For all Bashir's talk of cease-fires, free enterprise and humanitarian relief, Sudan appears to be a nation out of control and Bashir a leader with no concern for his people. According to some observers, by year's end he may well have broken Saddam Hussein's record for butchery.

Ethiopia

Population: 53,191,000
Government: In transition from a communist state
GDP: $6.6 billion
Per Capita Income: $130
Defense Expenditures: $536.3 million
Armed Forces: Army—430,000; Navy—3,500; Air Force—4,500; Paramilitary—9,000
Total Regular Armed Forces: 438,000

In Ethiopia, savaged for decades by drought, famine and civil war, the revolution is over and the evolution has begun. On May 21, 1991, President Mengistu Haile Mariam resigned and fled to Zimbabwe. In a matter of days, the government he left behind was overthrown by the Ethiopian People's Revolutionary Democratic Front (EPRDF). Thus ended a 17-year hard-line communist dictatorship that was, until recently, backed by the Soviet Union.

Interim President Meles Zenawi, former leader of the

Tigrean People's Liberation Front, is attempting a style of government not to be expected from an avowed Marxist—a multiparty democracy. He called a national conference in July which resulted in a charter ensuring each of Ethiopia's many ethnic groups the right to self-determination. It also recognizes Eritrea's right to secede. A new Council of Representatives has been established and elections for regional assemblies are planned for the spring of 1992. Meles has redrawn internal boundaries along ethic lines, with plans for each region to have its own representative assembly, judiciary and police force. The central government is responsible for defense and foreign affairs and will direct economic policy. Reforms begun (under pressure from foreign aid donors) by the Mengistu regime in early 1990 will be continued and expanded.

Meles' Marxist leanings are more obvious in his economic reform plan, which by no means approaches a free-market system. Land will continue to be state-owned, although peasants will have rights of tenure to leave to their heirs. The new rules allow farmers to sell their produce to the highest bidder. Buildings and businesses seized by the Mengistu regime will be returned to their prior owners. The government will maintain control of the petroleum, mining and chemical industries.

Mengistu's legacy to the new government includes bankruptcy and chronic hunger. The entire treasury consisted of $35 million deposited by Israel in a New York bank in exchange for allowing 15,000 Ethiopian Jews to immigrate. Almost 90 percent of Ethiopia's 53 million people are poor peasant farmers. Half the population is unemployed or underemployed. Most of the country's topsoil has long since eroded, and there is a major shortage of livestock. The 500,000-man army of the old regime, nearly half of whom are still detained in government camps, will return home to find no food and no jobs.

In Eritrea, at the northern edge of Ethiopia, Meles' recognition of the Red Sea province's right to secede was viewed as superfluous. Even as EPRDF was taking control of Addis Ababa, the Eritrean People's Liberation Front (EPLF) had defeated Mengistu's northern army after 30 years of war.

EPLF is now in control in Asmara, with the front's secretary general, Isaias Afewerki, installed as de facto leader. By war's end, some 50,000 Eritrean soldiers had died, as had much higher numbers of government troops. The drought-stricken province's treasury was empty, industry was dying, and Massawa, the main port, had been destroyed by Ethiopian bombing.

If the relative peace that now exists can be made to endure for any length of time—and if its Marxist-leaning leaders learn anything from recent events in other communist countries—Ethiopia may recover from the devastation of drought and war. But decades of death and destruction cannot be overcome overnight. Much time, patience and outside help will be needed to mitigate the hunger and poverty that most Ethiopians have suffered all their lives. Eritrea, too, has much to overcome but may be better equipped and even more motivated to do so.

Somalia

Population: 6,709,000
Government: Republic
GDP: $1.7 billion
Per Capita Income: $210
Defense Expenditures: $18.5 million
Armed Forces: Army—60,000; Navy—2,000; Air Force—2,500; Paramilitary—29,500
Total Regular Armed Forces: 64,500

The late January ouster of Somalia's President Mohamed Siad Barre by forces of the United Somali Congress (USC) marked the end of a month of fighting that left an estimated 20,000 dead. It did not, however, herald the hoped-for peaceful transition from 21 years of repressive dictatorship to the multiparty democracy promised by the USC.

Siad Barre, described as an "old-style, feudal, tribal chieftain," fled Mogadishu on Jan. 27. Businessman Ali Mahdi Mohamed, appointed interim president by the victorious USC, was left a capital city reduced to rubble, with little water, fuel, housing or medicine and no electricity, police force, judicial system or civil service. He also inherited a host of problems not usually associated with a homogenous society.

Unlike most of its neighbors, Somalia consists almost entirely of one ethnic group: some six million Somalis, mostly nomadic pastoralists and Sunni Muslims, who share a common language and culture. However, the country's three large clans and 26 smaller ones have long provided their own brand of tribal warfare, fighting among themselves as well as against the government. The clans' inability to achieve any lasting unity of purpose greatly contributed to the longevity of Siad Barre's bloody regime.

The Somali National Movement (SNM), made up mostly of the Isaq clan of northern Somalia, first moved against the government in May 1988. In exactly three years, SNM had taken full control in the north. In January, when government forces surrendered following Siad Barre's flight, SNM declared the independence of the area once known as British Somaliland and renamed it the Somaliland Republic. Meanwhile, the southern Ogadeni clan's Somali Patriotic Movement was fighting with its former ally USC. Now Somalia is engaged in a civil war of a different sort, born of USC leader Gen. Mohamed Farah Aidid's announced intention to remove the interim president and assume that role himself. No ideological differences pertain; leaders of both factions are members of the USC and of the Hawiye clan of central Somalia. Nor is the struggle driven by the East-West geopolitical rivalry common to much of Africa's internal strife in recent years.

In the superpower struggle for dominance on the Horn of Africa, the Soviet Union backed Siad Barre's regime from 1969 until 1978, when the Soviets supported Ethiopia in a dispute with Somalia over the Ogaden province. That caused Siad Barre to switch sides. The U.S. government provided some $100 million annually in military and economic aid to Somalia in the mid-1980s, ending its support in 1989 in protest of Siad Barre's steadily worsening human

rights record. But both American and Soviet influence live on in the rocket-propelled-grenade launchers, M-16 and G-3 assault rifles, .50-calibre machine guns, antiaircraft guns and tanks with which both factions are armed. On Nov. 17, months of minor skirmishing between the Ali Mahdi and Aidid elements culminated in all-out warfare in the streets of Mogadishu. At year's end the battle raged on, with an estimated 5,000 dead and 10,000 wounded (most of them women and children). Those few buildings remaining from the January battle to overthrow Siad Barre have been destroyed. Aidid controls most of the city, including the hospitals and the international airport, while Ali Mahdi and his supporters are confined to a small area known as Karan.

In the meantime, some 80 percent of the children in central and south Somalia are suffering from malnutrition. In the capital, hundreds of people are killed or maimed every day and little medical assistance is available. Those few relief agency representatives (mostly medical personnel) who have remained agree that the situation for the Somali people in general and the residents of Mogadishu in particular is among the most horrifying they have seen anywhere.

Mediation by any outside entity will obviously require the cooperation of both Ali Mahdi, who has repeatedly stressed his willingness to step aside in favor of a broad-based government to rule until democratic elections can be held, and Aidid, who seems disinclined to compromise in any way. Meanwhile, smaller rebel factions wait in the wings for an opportunity to take advantage of the turmoil, and the octogenarian Siad Barre remains in hiding in the south with the remnants of his army, threatening revenge. No matter who wins, the Somali people have lost, and more than one observer has stated that Somalia has already ceased to exist.

Kenya

Population: 25,242,000
Government: Republic
GDP: $8.5 billion
Per Capita Income: $360
Defense Expenditures: $275.4 million
Armed Forces—19,000; Navy—1,100; Air Force—3,500; Paramilitary—4,000
Total Regular Armed Forces: 23,600

The investigation into the February 1990 murder of Robert Ouko, Kenya's staunch anticorruption foreign minister, was the single most pressing item on President Daniel arap Moi's agenda through most of 1991. That is, until November, when the economic implications of bad government finally came home to roost.

First, donor nations of the so-called Club of Paris (the United States, Britain, Canada, France, Germany, Japan and six others) announced that aid to Kenya would be frozen at 1991 levels for six months in hopes that some progress would be made toward multiparty democracy, economic reform and improvement in the human rights record. Kenya has received $800 million—an amount equal to one-third of the government's annual budget—in foreign aid in each of the last two years.

On Dec. 3, Moi bowed to pressure from the Western donors and directed leaders of the ruling Kenya African National Union (KANU) to call for legalization of rival political parties. Thus, economic considerations have finally achieved that for which the people have been clamoring since 1982, when rival political parties were banned by the Moi regime.

Moi's next economic surprise came when the International Monetary Fund announced that a $63 million loan would be delayed because of Kenya's disappointing progress on economic reforms. The IMF move also jeopardizes a much-needed $200 to $300 million hard-currency loan from the World Bank to cover import costs of fuel, manufacturing equipment and agricultural supplies.

Moi's often-stated and obviously self-serving objection to a multiparty system of government has been the probability of violence among Kenya's many tribes. The Kikuyu are the single largest ethnic group, representing some 21 percent of the population. They ran Kenya under the leadership of the nation's founder, Jomo Kenyatta, from independence in 1963 until his death in 1978, when Vice President Moi assumed the presidency. The Luhya are next with 14 percent, followed by the Luo with 13 percent. Moi's tribe, the Kalenjin, make up 11 percent of the population; there are many smaller tribes, as well as a very small contingent (about one percent) of Asians, Europeans and Arabs. Tribal identity is an important aspect of life in Kenya, although less so among young people today than among their elders.

While legalization of rival political parties could signal the beginning of the end of the current regime, that end may be a long time coming. Moi is expected to call for elections early in 1992, before opposition groups can mount an effective campaign against him. Martin Shikuku, a former member of the National Assembly and a founder of the Forum for the Restoration of Democracy (FORD), has joined other opposition leaders in demanding a national convention to rewrite Kenya's constitution before elections are held. Until recently, FORD appeared to be a strong contender against Moi and KANU, but internal differences threaten to splinter the party. The National Democratic Party, led by Oginga Odinga, Kenya's first vice president after independence, has gained considerable strength and recognition since its inception in February. Smaller parties (including at least one in exile) can be expected to grow and new ones to be developed as Kenya flexes long-unused political muscle. At the same time, Moi can be expected to use every means at his disposal, including the army, to try to ensure his place at the top.

Under Moi's heavy-handed and greedy leadership Kenya has deteriorated from a model of stability and sound development to a nation whose internal strife and corruption have kept tourists and foreign investors away in droves. With an annual population growth rate of 3.6 percent, all arable land already under cultivation and a foreign debt of some $5.8

billion, Kenya's only hope of regaining its former place as the most peaceful and progressive nation in postcolonial Africa is to rid itself of Daniel arap Moi and his grasping followers and set about renewing its international credibility.

Angola

Population: 8,668,000
Government: Marxist people's republic
GDP: $7.9 billion
Per Capita Income: $925
Defense Expenditures: $2.7 billion
Armed Forces: Army—91,500; Navy—1,500; Air Force—3,000; Paramilitary—7,000; Reserves—50,000 militia
Forces Abroad: 500
Total Regular Armed Forces: 96,000

Angola won its battle for independence from Portugal in 1975 only to be thrust into civil war when the Marxist guerrilla group Popular Movement for the Liberation of Angola (MPLA) seized power from the transition government. Aided by Cuba and the Soviet Union, MPLA has for 16 years resisted all attempts by the rebel guerrilla National Movement for the Total Independence of Angola (UNITA) to overthrow the government. Now that MPLA and U.S.- and South Africa-backed UNITA have fought each other to a standstill, the devastating war may have finally ended.

On May 31, 1991, in Estoril, Portugal, Angolan President Jose Eduardo dos Santos and UNITA leader Jonas Savimbi signed a cease-fire agreement bringing the bloody civil war to a surprisingly civil end. As part of that agreement, an international monitoring group would oversee the cease-fire. The government would immediately recognize UNITA, and all outside military aid to both sides would cease. Further, Angola would become a multiparty democracy in which UNITA would be guaranteed participation.

The agreement called for the new national army to be made up of 20,000 soldiers from each side, with U.N.-verified demobilization of the remaining troops to be accomplished by Aug. 1. By mid-December only about 65 percent of the estimated 120,000 soldiers had been accounted for.

The U.S. has long supported Savimbi's efforts to oust the Soviet-backed government of Angola; CIA covert aid to the anticommunist rebel group has been estimated at $60 million a year. Likewise, South Africa has also been a staunch ally of UNITA. However, one provision of the U.S.-brokered tripartite agreement on independence for Namibia, signed on Dec. 22, 1988, called for the withdrawal from Angola of all South African troops.

Loss of outside support—the 1988 Namibian agreement also called for the withdrawal of all Cuban troops—helped to bring dos Santos to the bargaining table. The Marxist government of Angola has depended on Cuba from the beginning, when Cuban troops helped MPLA take control of the country.

Since 1975 the Soviet Union has provided $800 million annually in military aid, as well as an estimated 1,100 advisers. However, with the imminent demise of the Soviet Union, Angola could no longer count on any assistance from that quarter. Exchanging socialism for pragmatism, dos Santos publicly renounced his Marxist ideology in December 1990.

More than 500,000 people—two-thirds of them children—have died as a result of the war; some one million more have been displaced. Angola has one of the world's worst infant mortality rates; 1988 figures indicate that 29 of every 100 children die before reaching age five. The United Nations estimates that the nation's basic infrastructure and services have suffered more than $30 billion in material damage since 1980. While dos Santos and Savimbi jockey for position, the U.N. Children's Emergency Fund struggles to feed three million Angolans.

Most of Angola's current government leadership is committed to free-market reforms, privatization of state companies and a vigorous campaign to attract foreign investment, although some die-hard Marxists are reluctant to let go of the old ideology. Dos Santos is particularly interested in seeking U.S. cooperation (once economic restrictions are lifted) in deep-sea oil exploration.

The first items on Savimbi's economic agenda include repairing the 840-mile Benguela railway (the main transport artery for copper from Zambia and Zaire) and rebuilding roads, bridges, schools and hospitals. Beyond that, he remains vague on the details of his promised economic and social reform.

Given Angola's tragic economic plight, the person or party who puts forth the most viable economic recovery plan might expect to win September's election by a landslide. But neither the colorful, dynamic Savimbi nor the soft-spoken, low-key dos Santos should plan an inaugural celebration just yet. According to some observers, many Angolans blame both men and their parties for the devastating civil war and may look elsewhere for leadership. With as many as 20 new political parties already formed, there is considerable potential for competition. It is conceivable that both wartime leaders could join their former soldiers on the unemployment line.

South Africa

Population: 40,600,000
Government: Republic
GDP: $101.7 billion
Per Capita Income: $2,600
Defense Expenditures: $4.1 billion
Armed Forces: Army—49,900; Navy—4,500; Air Force—10,000; Medical Service—8,000; Paramilitary—97,000; Reserves—360,000 all services
Total Regular Armed Forces—72,400

"We firmly believe . . . we can have a new constitution by Christmas 1992," declared African National Congress (ANC) leader Nelson Mandela on Dec. 21 in Johannesburg. Mandela made his prediction after he, President Frederik W. de Klerk and representatives of 15 other South African political entities, including the ruling white National Party,

had signed the compromise declaration of intent hammered out by the Convention for a Democratic South Africa (CODESA).

Most of the legal framework of apartheid had been dismantled by mid-June 1991. The two-day CODESA gathering was viewed as another step toward final abolishment of that hateful institution. The convention, monitored by representatives of the United Nations, the Organization of African Unity, the British Commonwealth and the European Community, began with an apology from the National Party for the official policy of segregation and economic and political discrimination adopted in South Africa in 1948.

Mandela and other ANC representatives came to the meeting seeking repeal of South Africa's apartheid-based constitution and formation of an interim government to be drawn from the principal CODESA participants. That would be followed by the nonracial election of a constituent assembly and establishment of a new constitution by the end of 1992.

President de Klerk's proposals included a transitional constitution encompassing blacks, whites, Indians and those of mixed race; a transitional government to remain in place for five to ten years; and election of a new parliament who would then draft a new constitution. The National Party platform's primary divergence from the others involved a three-to-five-person presidency with a rotating chairmanship and a strong second chamber weighted in favor of smaller parties.

Although both de Klerk and Mandela want the new constitution in place in time to avoid an all-white election in 1994, the declaration of intent contains no specific timetable. It does call for a multiparty democracy based on proportional representation, a system of checks and balances and a Bill of Rights modeled after that of the United States. Only two groups in attendance refused to endorse the declaration—the authoritarian government of the nominally independent black homeland of Bophuthatswana and the Zulu-based Inkatha Freedom Party, led by Chief Mangosuthu Buthelezi. (The Inkatha Freedom Party has been in direct conflict with ANC for supremacy among the black population and is a major political entity with the potential to seriously undermine implementation of CODESA's charter.)

The signatories' declared intent to "create a climate conducive to peaceful constitutional change by eliminating violence, intimidation and destabilization" may prove by far the most difficult of all their goals. A peace accord signed by political parties and security forces in September has failed to stop fighting in the mines and townships. In the meantime, violence is becoming even more widespread as the quest for equality nears fruition and, as Buthelezi demonstrated prior to the CODESA gathering, the spectre of civil war is never far away.

Violent crime increased 49 percent in 1990 and almost that much in 1991. From January through August, 11,000 people were murdered and 60,000 cars stolen; bank robberies took place at a rate of three to four each week. Gangs of unemployed, armed and angry young blacks terrorize black townships and the trains carrying blacks to and from their jobs.

Economics is playing a part in the violence as well. A two-day nationwide general strike in November—against government economic and tax policies—involved three to four million workers and was described as the largest display of labor power in South Africa's history. It resulted in more than 20 deaths in and around Johannesburg.

Although South Africa and the United States have enjoyed a cooperative relationship dating from 1799, the American Congress expressed its outrage over apartheid by imposing trade and investment sanctions against South Africa in 1986. These sanctions, along with the general economic climate around the globe and South Africa's escalating violence and political unrest, have pushed the country into its longest recession since World War II. The economic growth rate stands at zero or less—far lower than the birth rate. Almost 40 percent of the total labor force is unemployed, and inflation is about 14.6 percent.

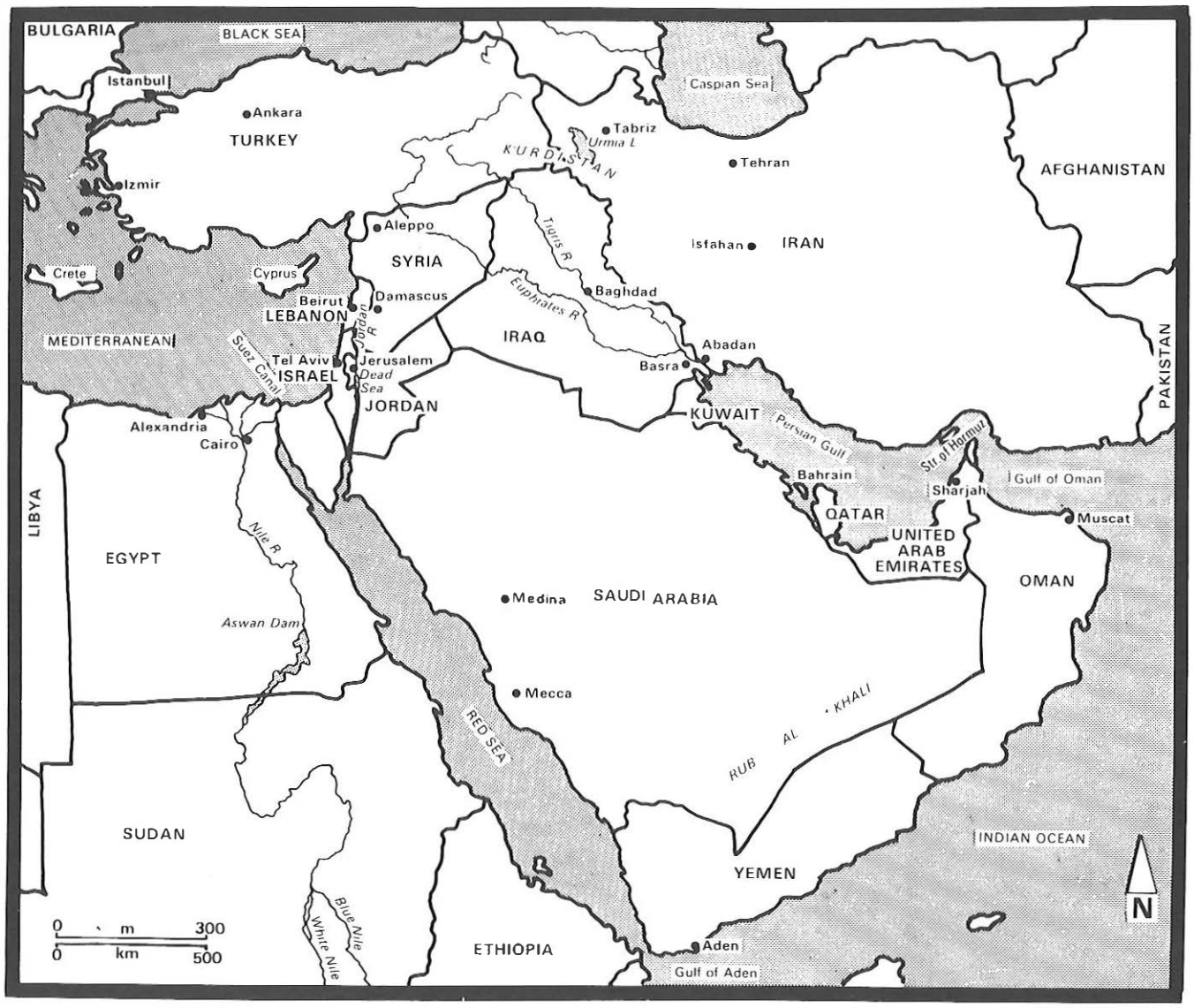
De Klerk's government insists that only a free-market system can resolve South Africa's economic problems. Mandela and the ANC, on the other hand, favor massive state intervention to help poor blacks to compensate for the economic results of apartheid. Mandela and other ANC representatives have announced that if ANC gains control of the government, mines and banks would be nationalized; an ANC government would reserve the right to reevaluate foreign loans made to the Nationalist Party regime; and ANC would consider a onetime reparations tax amounting to one-third of each white person's wealth to pay for black social improvements. Analysts' views of ANC's announced intentions range from a possible effort to exert leverage on Pretoria by frightening away foreign investors to economic confusion and naivete.

THE MIDDLE EAST—IN THE WAKE OF WAR

For the last four months of 1991, the attention of most of the world was centered on events in the Soviet Union. But for the people of the Middle East region, the Gulf War and its aftermath dominated almost every aspect of their lives throughout the year. Those nations of the region that did not participate in the war or directly support one side or the other were the recipients of the economic impact of the crisis. From the first hours of the Iraqi invasion of Kuwait and continuing well beyond the conclusion of Operation Desert Storm, a massive exodus from Kuwait and Iraq caused a refugee problem unparalleled in recent years. Finally, in addition to driving Saddam Hussein out of Kuwait, the allied coalition victory had the consequence of paving the way for an Israeli-Arab peace conference in October.

The great military success of Operation Desert Storm was the result of President Bush's act of putting together an unheard-of coalition of 28 nations, many of them Arab, to

MIDDLE EAST



counter the depredations of Iraq. Not only were Saddam's forces driven from Kuwait, his arsenals of chemical and biological weapons and his nuclear weapons development program were exposed to the world. Saddam may retain the reins of power in Iraq, but he has caused what was once one of the most highly developed countries in the Middle East to be rendered a pariah.

As his forces were being routed from Kuwait, Saddam precipitated the greatest environmental rape in history. Today, the world's largest oil spill has been cleaned up and the more than 600 oil well fires have been extinguished. And while Kuwait is proceeding to full recovery at a much faster pace than anyone had deemed possible, the people of Iraq are poor, hungry and sick. The onset of the Persian Gulf crisis caused more than a million foreign workers in several Middle East countries to flee. But it was the breakdown of civil government within the Shiite Muslim population in southern Iraq and among the Kurds in the north that greatly exacerbated the refugee problem. Saddam's brutal suppression of both those uprisings invoked allied intervention to protect the thousands of refugees who fled across the borders, most of them to Turkey. American forces, in Operation Provide Comfort, furnished food, shelter and protection from Iraqi police and troops to hundreds of thousands of Kurds.

Throughout the six months of crisis, official Washington contended that there was no linkage between the war and the Arab-Israeli conflict. Yet the shooting had barely stopped when President Bush announced that finding a solution to that conflict would be a key challenge for United States policy in the Middle East. There ensued seven months of heavy lobbying, with Secretary of State James Baker making eight trips to contact all parties involved. Baker's persistence, in what often seemed a futile endeavor, cul-

minated with the convening in Madrid on Oct. 30 of the first Middle East peace conference.

That meeting was a historic occasion, marking as it did the first public forum dealing with the Arab-Israeli conflict at which Israel and all its immediate neighbors directly addressed each other. Little of substance was achieved in Madrid, but that conference succeeded in bringing the disputants together for discussions, even if often hot-tempered. The ensuing discussions are anticipated to be drawn out over many months, and it will undoubtedly be a long time before Israel is persuaded to give up any occupied land and many Arab countries are even willing to recognize Israel's existence. And even if and when the people of this volatile region do witness such events, they will still be confronted with a myriad of problems, including the arms race and a proliferation of unconventional weapons, state-sponsored terrorism, a rising tide of Islamic radicalism and the ever-present threat that some despotic leader will attempt to subvert his neighbor through force of arms.

Turkey

Population: 58,580,000
Government: Republic
GDP: $178 billion
Per Capita Income: $3,100
Defense Expenditures: $4.4 billion
Armed Forces: Army—470,000; Navy—52,000; Air Force—57,200; Paramilitary—71,100; Reserves—1,107,000 all services
Forces Abroad: 30,000
Total Regular Armed Forces: 579,200

During Operation Desert Storm—and throughout the Cold War—Turkey has been a key ally of the United States. Now, even with Saddam Hussein removed from Kuwait and NATO strategic planning based on regional conflicts, Turkey's key strategic location makes the maintenance of that relationship ever more vital. Turkey faces the risk of border disputes, ethnic tensions or civil turmoil on all its borders.

The Balkans to the northeast are struggling through their transition to democracy, and Yugoslavia has civil war. A variety of new republics to the north are groping to find their rightful positions in the Commonwealth of Independent States. To the south and east lie Syria and Iraq, both harboring historical hostilities toward the West. Known for 45 years as the anchor of NATO's southern flank, Turkey is today at front and center.

The maintenance of the U.S.-Turkish relationship does not appear to be in any great danger despite the upset of President Turgut Ozal's Motherland Party by major rival Suleyman Demirel in the Oct. 20 parliamentary elections. As leader of the center-right True Bath Party, Demirel became prime minister and promptly pledged to continue Turkey's present defense and security policies. Ozal's presidency still has five years to run, meaning the two must compromise and cooperate lest they destroy the fragile coalition through which Turkey is governed.

Turkey's contributions to Operation Desert Storm were not insignificant. Ozal closed the Iraqi oil pipeline running through Turkey, a move that has already cost Turkey $2.5 billion in income. Additionally, the Turks allowed the U.S. Air Force to operate out of Incirlik, only 310 miles from the Iraqi border. Two Turkish frigates were on sanction patrol in the Gulf, and 120,000 troops stationed on the border with Iraq tied down a large number of Iraqi forces.

Among the many problems facing the new Ankara government is the presence of Kurdish terrorists who operate against Turkey from northern Iraq. Kurdistan is a mountainous region about the size of Nebraska that includes southern Turkey, northern Iraq and northwestern Iran. Kurds also live in adjacent parts of Syria, Iran and the former Soviet Union. President Ozal received intense criticism for allowing the United States to aid the Kurds in northern Iraq through Operation Provide Comfort. Turkish military leaders claim Provide Comfort gives the Kurds license to operate freely against Turkey from Iraq. Demirel chose to continue facilitating the operation—a clear signal the U.S.-Turkish relations remain solid.

One irritant in U.S.-Turkish relations is the issue of the divided island of Cyprus. Turkish Cypriots make up about 18 percent of the population while Greek Cypriots claim 80 percent. They have been in conflict since the British left in 1960. While a United Nations peacekeeping force maintains a buffer zone between the belligerents, real peace remains elusive. Until that issue is settled, Greece will continue to veto Turkey's admission to the European Community. And without that membership Turkey will not be competitive on the world market.

The Cyprus issue is also a stumbling block in the path of Turkey's $10 billion, 10-year modernization of its armed forces. American military assistance and aid are key parts of the plan, begun in 1985, but the State Department has vowed that until there is substantial progress regarding Cyprus, the foreign military funding Turkey gets will be pegged to Greece. (Congress requires each $10 of aid to Turkey to be matched with $7 to Greece.)

With the coalition government of minority parties, each trying to establish its predominance, and with high inflation and major budget deficits, it seems clear that the new government of Turkey will continue to face an amazing array of problems. High inflation and unemployment rates, bickering Kurds and Islamic fundamentalists, and a restive military will all challenge the talent and patience of Turkish leadership. The disintegration of the Soviet Union has ameliorated one major concern. But with troublesome neighbors like Syria, Iraq and Iran, there is still cause for Turkey to maintain its military strength and vigilance.

Egypt

Population: 54,451,000
Government: Republic
GDP: $37 billion
Per Capita Income: $700
Defense Expenditures: $1.7 billion
Armed Forces: Army—290,000; Navy—20,000; Air Force—30,000; Air Defense Forces—80,000; Paramilitary—374,000; Reserves—604,000 all services
Total Regular Armed Forces: 420,000

At the same time that Saddam Hussein was unleashing his army against fellow Arabs, Egypt's President Hosni Mubarak was hosting a meeting to help reaffirm Arab solidarity by returning the Arab League's headquarters to Cairo and scheduling an Arab summit meeting for November. In light of Mubarak's efforts—and those of his predecessor, Anwar Sadat—to seek peace in the Middle East, Egypt's response to the Persian Gulf crisis was truly astonishing.

True, Mubarak had recently disagreed with Saddam's anti-American rhetoric and his effort to exert influence over the Palestine Liberation Organization (PLO). But for most of the 1980s Mubarak and Saddam had cooperated on weapons development programs, and more than a million Egyptian expatriate workers had allowed Iraqi manpower to concentrate on the war with Iran.

Egypt's prompt response to President Bush's call for coalition support for the war did not go unnoticed. Egypt supplied its 4th Armored Division and 3d Mechanized Infantry Division, 358 tanks and 40,000 troops in all. Along with other coalition forces, they participated in the most direct assault route to Kuwait City when Operation Desert Storm was launched.

This contribution was not without financial sacrifice. Estimates of the basic loss, including tourism, range upward of $27 billion. Revenues from the Suez Canal were down about $500 million. Lost also was another $5.2 billion normally sent home by Egyptian workers in Kuwait. On the plus side, the United States immediately made available $160 million, having previously forgiven a $7.1 billion debt owed by Egypt. Egypt also received financial assistance from France and Saudi Arabia, and presumably additional aid has come from Germany and Japan.

Egypt played a highly positive role in the very difficult negotiations following the war and in setting up the Middle East peace conference in Madrid. At midyear, Egypt's foreign minister, Esmat Abdel Meguid, took over as secretary general of the well-regarded and increasingly influential Arab League. The stigma of being the first Arab nation to sign a peace treaty with Israel has diminished substantially. After a long period of impasse, Egypt buried the hatchet with Syria and, for the first time in a decade, entertained a state visit from Syria's president, Hafez al-Assad. Mubarak continues to play his Arab cards well. While publicly supporting the cause of the Palestine Liberation Movement, he has shown no enthusiasm for Yasir Arafat. Further, he has taken this position without getting too deeply committed to the land-for-peace stance that is so opposed by the Israelis.

The fact remains that the financial prospects for Egypt's future are not encouraging. Ninety-nine percent of the population is concentrated in the four percent of Egypt's arable land in the Nile Valley, giving it the highest population density on earth. Some 700,000 expatriate workers returned from the war zone and have had to be resettled. Add to this a population growth of about one million a year and the problems for the future seem almost insurmountable.

In December, Egypt's Deputy Prime Minister Boutros Ghali was sworn in as the new secretary general of the United Nations, replacing Javier Perez de Cuellar of Peru. This was widely applauded in the Middle East since it was the first time a representative of that region had ever held the prestigious post.

It appears more and more likely that Egypt may have the cards to help cut a real deal for real peace in the Middle East. If so, nothing would please Mubarak more. It would also be greeted with a great deal of enthusiasm by much of the rest of the world.

Lebanon

Population: 3,384,000
Government: Republic
GDP: $3.3 billion
Per Capita Income: $1,000
Defense Expenditures: $140 million
National Armed Forces: Army—17,500; Navy—500; Air Force—800; Paramilitary—9,000
Total Regular Armed Forces: 18,800

After 16 years of war, a peace of sorts has prevailed in Lebanon this past year. It might more accurately be termed a truce and does not appear to be very stable. This so-called peace is reminiscent of the peace endured by Eastern Europeans for a half-century, purchased at the price of freedom and democracy. The heavy hand of Syria permeates the whole society. By designating the president, the prime minister, the cabinet and the parliament, Syria has become a substitute for political legitimacy in Lebanon.

Syria does not legally recognize Lebanon as an independent nation and has not established diplomatic ties with the Beirut puppet government. Recently, the Lebanese parliament ratified a security pact with Syria granting the Damascus government power to curb political, military and press activities in Lebanon.

In the south of the country, Israel continues to occupy a security zone and shows no signs of an early departure. Just before the Middle East peace conference in Madrid, a party of Lebanese Shiite Muslims launched several guerrilla attacks on Israeli troops that brought on severe retaliation from the Israelis against many not involved in the raids.

Since July, the government has pressed its campaign to rid Lebanon of all Palestine Liberation Organization guerrillas and their weapons. As part of that campaign, the Lebanese army has successfully attacked a number of PLO positions, prompting the Palestinians to surrender their heavy weapons to the Lebanese. That is one of the rare major victories enjoyed by the army of Lebanon.

Another footnote to history: Gen. Michel Aoun, the Christian Maronite leader who fought for years against Syrian domination of his country, departed Lebanon for exile in France.

Clearing away the rubble of 16 years of war is a major industry in today's Lebanon. A few businesses have reopened and there is even a slight trickle of foreign investment. So far, 11 airlines (none U.S.) are risking the use of Beirut airport again, moving some 3,000 passengers a day. Conversely, the U.S. government does not allow flights from Beirut to New York and the State Department continues its ban on American travel to Lebanon. That ban is apt to persist until there is a more concerted effort to root out terrorist groups still using Lebanon as a refuge.

For the moment, the relief from shelling, bombs and gunfire is welcomed by the long-suffering populace. But much of the world will be watching to see what happens when the desire for political freedom and a nondiscriminatory application of law and order gains momentum in Lebanon.

Syria

Population: 12,965,000
Government: Republic under military regime
GDP: $20 billion
Per Capita Income: $1,600
Defense Expenditures: $1.6 billion
Armed Forces: Army—300,000; Navy—4,000; Air Force—40,000; Air Defense Command—60,000; Paramilitary—12,500; Reserves—400,000 all services
Forces Abroad: 30,000
Total Regular Armed Forces: 404,000

For most Westerners, Syria remains somewhat of an enigma. With the deterioration of his principal benefactor, the Soviet Union, President Hafez al-Assad has been making bold gestures toward accommodation with the West.

Assad was an early entrant into the coalition to drive Iraq out of Kuwait, and he signed on early with Secretary of State James Baker's efforts to put together the Middle East peace conference. His pretended enthusiasm for peace with Israel is tempered by the need to placate the more conservative elements within Syria.

Lest one conclude that Assad has completely changed, he met with Yasir Arafat in early November to patch over their public differences. The result was the reopening of a PLO headquarters, closed since 1983, in the Syrian capital. That supposedly ended the 20-year enmity between Assad and Arafat that had been one of the most enduring conflicts in Middle East politics. After Arafat backed Saddam Hussein in Iraq, Assad allied himself firmly with the United States and Saudi Arabia.

Assad's shifting position has not been entirely voluntary. Orphaned by the collapse of the Soviet Union, he now must seek another anchor; hence, his seeming embrace of the United States.

Assad's opening position in the Middle East peace talks is that there can be no peace with Israel until the Golan Heights and the West Bank are restored to the position held in 1967. These are recognized as opening gambits and will certainly be subject to negotiation in the Middle East tradition.

Still, there remains cause for real concern. Syria's outspoken intervention at the Madrid peace talks did nothing to convince others that it really wishes peace or has rejected terrorism as a means of reaching its goals. The Syrian government still has not renounced the terrorist groups generally believed to be under its protection.

There is additional concern with Syria's military buildup. Since the end of the Gulf War, Assad is reported to have spent more than $2 billion, on everything from T-72 tanks to Scud missiles to MiG-29 and Su-24 jet aircraft. Ironically, much of the funding for these purchases came from the oil-rich Arab states with whom Assad sided in the Gulf War. Syria faces another year with a de facto dictator, who has found it expedient to alter his public position slightly while retaining most of his despotic ways under a mask of pseudorespectability. If this supposed turnabout produces the result the peacekeepers seek, it will be a first in Middle East history.

Israel

Population: 4,477,000
Government: Republic
GNP: $46.5 billion
Per Capita Income: $10,500
Defense Expenditures: $6.2 billion
Armed Forces: Army—104,000; Navy—9,000; Air Force—28,000; Paramilitary—6,000 border police; Reserves—504,000 all services
Total Regular Armed Forces: 141,000

After showing great restraint in the face of Saddam Hussein's threats and Scuds, Israel emerged from the Persian Gulf War full of high expectations of President Bush's "New World Order." Now, almost a year after Saddam's forces were routed, those high hopes seem to have faded away as Israelis continue to be confronted with a multitude of problems. Among them: a stumbling economy, a tidal wave of immigrants, a shortage of housing, continued unrest on the West Bank and the Golan Heights, and faltering relations with the United States—Israel's only important ally.

Despite all that, Israel continues to exhibit a high degree of chutzpah. The government's adamant position regarding the continued colonization of the occupied territories flies directly in the face of strongly stated U.N. policy. Israeli obstruction of the Middle East peace efforts is another illustration. These positions work to the detriment of Israel's image, both in the United States and in the international community.

Despite the tremendous amount of financial aid Israel receives from the United States, the economy is in a perilous

condition. Annual inflation is almost 23 percent. Unemployment is 10 percent and is predicted to go up to 14 percent in the next two years. The latest official figures show that 8.3 percent of Israeli Jews and 46.1 percent of Israel's Arab population live below the poverty line. The fact that Israel spends about 20 percent of its gross national product on defense makes this dire financial position somewhat more understandable.

Israel's existing housing shortage has been greatly exacerbated by the influx over the past year of 250,000 Soviet immigrants—with another million anticipated in the next few years. Part of the government's solution to the overall housing crisis is to construct large settlements in the occupied territories of the West Bank and the Golan Heights.

The construction of additional settlements on land claimed as their own continues to rile the Palestinians living under Israeli occupation. These hard feelings are made clear via the intifada, or uprising, on the part of the Palestinians that frequently results in injury or death on both sides. The settlements issue has also contributed to the deterioration of U.S.-Israeli relations.

The Bush administration adamantly objects to the erection of additional settlements on the occupied land, so much so that Israel's demand for a $10 billion loan guarantee had been held up. Washington seeks to restrain Israel from building any new settlements and to encourage better Israeli comportment in the peace negotiations. Prime Minister Yitzhak Shamir's government feels it is entitled to the $10 billion for accepting the thousands of Jews fleeing the Soviet Union and for its restraint in the Gulf War.

From the Israeli standpoint, the purpose in holding the high ground in the occupied territories is one of security—preventing Syrian observation into Israel. A good deal of the construction is to stake out the high ground, a move that is considered vital to Israeli security.

In 1991, American aid to Israel included the usual $3.2 billion in economic aid, $650 million as compensation for enduring Iraqi Scud attacks, a $700 million military grant and another $400 million housing guarantee—$4.95 billion in all.

Israel closed the year on a note of increasingly strained relations with the United States but also with deep divisions in its own government. There are political differences within Shamir's ruling Likud Party—housing minister Ariel Sharon will challenge his leadership in 1992 elections—and there is the ever-present threat of a Labor Party takeover of the Knesset.

Jordan

Population: 3,412,000
Government: Constitutional monarchy
GNP: $4.6 billion
Per Capita Income: $1,400
Defense Expenditures: $587.3 million
Armed Forces: Army—90,000; Navy—300 coast guard; Air Force—11,000; Paramilitary—226,200; Reserves—35,000 all services
Total Regular Armed Forces: 101,300

King Hussein has not lost his penchant for backing losers. His initial alignment with Egypt's Gamal Abdel Nasser accorded him the dubious honor of watching his standard-bearer get soundly whipped in the Six-Day War. This time he backed Iraq's Saddam Hussein.

In many ways, King Hussein is not his own man. Ninety percent of Jordan's population is Palestinian. Economically, the country is in a morass. The foreign debt amounts to $8 billion. Unemployment is running about 32 percent. On top of it all, more than 300,000 Jordanian workers have been forced to return from Saudi Arabia and Kuwait, where they are no longer welcome.

Here are some facts that bear on the present deplorable state of Jordan's economy: In 1989, about 40 percent of Jordan's nonphosphate exports went to Iraq (about $190 million). The trucking of wheat, corn and industrial imports from Jordan's only port at Aqaba to Baghdad brought in another $250 million. By siding with Iraq, Jordan also lost its second largest export market in Kuwait. Moreover, the king's support of Saddam cost Jordan about $500 million in aid from the Gulf states. It is estimated that another $600 million was sent home annually by Jordanians working in other countries. These are not insignificant numbers in a $4 billion economy.

The planning ministry estimates that $4.5 billion will be needed in the next few years to cope with the overwhelming influx of returnees that includes more than 100,000 children. Even King Hussein readily admits that without outside help his regime will be unable to cope with Jordan's mounting problems.

Hussein has seriously alienated his neighbors and lost his principal benefactors. Although he has a reputation as the ultimate survivor, it would appear that his talents will be put to the supreme test in the months ahead.

Iran

Population: 59,051,000
Government: Islamic republic
GNP: $80 billion
Per Capita Income: $1,400
Defense Expenditures: $3.8 billion
Armed Forces: Army—305,000; Navy—18,000; Air Force—35,000; Revolutionary Guard Corps—170,000; Paramilitary—57,000; Reserves—350,000 all services
Total Regular Armed Forces: 528,000

By Middle East standards 1991 was a quiet year for Iran. President Ali Akbar Hashemi Rafsanjani has been moving diligently to recover from the economic chaos resulting from the policies of Ayatollah Khomeni. Iran is working hard to rebuild its aged petrochemical facilities, most of which were ruined during the eight-year war with Iraq. As a result of these efforts, Iran's gross national product surged 10 percent last year, wheat production doubled and light industry trebled.

Still, all this progress has not been free of serious prob-

lems. The elimination of price controls and food subsidies left many Iranians struggling for basic staples; for example, the cost of cooking oil is up 15 percent. With 30 percent of the work force in government jobs paying $60 to $100 a month, the problem becomes more focused. A popular sentiment among the people is that they didn't fight the revolution to be as poor as this.

Although economic difficulties would reasonably be expected to cause Iran to reduce substantially its outlays for military growth, there persists a preoccupation with building a nuclear weapon. One senior member of Iran's security council expressed his belief that all Muslim nations should have a nuclear capability as long as Israel has one. There is ample evidence to show that Iran is working to restore the military capability that was all but destroyed in its war with Iraq. In the last two years the Soviet Union transferred $2 billion in arms to Iran. Another billion-dollar delivery of aircraft, missiles and artillery from various republics of the Commonwealth of Independent States is expected in 1992.

If there was a hint that the mullahs who rule Iran were now beginning to recognize the changing power equation in the region, it was manifested in the ending of the hostage drama in Lebanon. The Iranians have a powerful influence over the Shiite Muslim kidnappers and are widely acknowledged to have used it to free the last Americans from captivity. That could be an indication that Rafsanjani wants to temper Iranian radicalism in order to bring Iran out of its isolation. If so, it is one of the most hopeful signs to be seen in years.

Iraq

Population: 19,524,000
Government: Republic
GNP: $35 billion (1989 estimate)
Per Capita Income: $1,940
Defense Expenditures: Cannot be accurately determined
Armed Forces: Cannot be accurately determined
Total Regular Armed Forces: 382,500 (estimate)

As ancient Mesopotamia, Iraq was once regarded as the crucible of civilization. It was the birthplace of the written word, but today Iraq endures another of the bitter fruits of its tradition—war. It was a war that shattered accepted norms for civilized people.

The cruel invasion of Kuwait and the subsequent brutality imposed upon many innocents ended with the most extensive act of economic terrorism in modern history. Saddam Hussein was responsible for the largest oil spill ever recorded when he pumped millions of barrels of Kuwait's oil into the Persian Gulf. In addition, more than 600 oil wells were deliberately set afire at Saddam's order before Iraq's troops were driven from Kuwait. His earlier use of chemical weapons against dissident villages in his own country and the postwar massacre of Kurds in northern Iraq clearly brand Saddam Hussein as a pariah on a par with Adolf Hitler.

Confronted by a coalition of 28 Western and Arabic nations, operating under the flag of the United Nations, Saddam's army—fifth-largest in the world—was soundly defeated. The cease-fire agreements that ensued required Iraq to comply with the U.N. resolutions on the Gulf crisis, to accept responsibility for the war and to pay for war damages. But the message didn't get through to Saddam. Even in defeat, he continued his defiance and intransigence by trying to thwart the activities of United Nations inspectors sent to Iraq to determine the extent of his nuclear weapons program. The inspectors now report their belief that Saddam had the technology but lacked sufficient enriched uranium and plutonium to make a bomb.

Meanwhile, the people of Iraq bear the burden for Saddam's ill-conceived invasion of Kuwait and his subsequent obduracy. They lack food, clothing and shelter as a result of U.N. sanctions, which are to remain in effect until Iraq is in full compliance with the cease-fire agreements. Saddam seems willing to let them suffer as long as he thinks the will of the West can be bent.

Conversely, there have lately been signs of flagging interest in the economic isolation of Iraq among some of our allies. Over strong United States protests, roughly a dozen European commercial banks released to Iraq tens of millions of dollars in foreign currency reserves that were frozen during the Persian Gulf War. This helped the Iraqis purchase food and equipment imports, all duly declared under U.N. rules. Iraqi statements contend it will soon be buying as much food as it imported before the war.

The consequences of the Gulf War extended well beyond the borders of Iraq and Kuwait. From the beginning there was a mass exodus from several Middle East countries, creating one of the most severe refugee problems in many years. Those nations of the region that were not directly involved in the war felt its economic impact. The Gulf War was one of the most costly since World War II in terms of military expenses, casualties and damages.

Yet, while 50 percent of the Iraqi military inventory was destroyed, it was shortly realized that Iraq still retained a formidable army with about 2,400 tanks, 4,400 armored personnel carriers, up to 2,000 artillery pieces and 250 multiple rocket launchers. Since the war, Saddam has restructured the force to eliminate the low-grade infantry divisions and boost the stature of the Republican Guard, special forces and heavy armored and mechanized divisions. From a prewar force of one million, Saddam now has 350,000 to 400,000 troops in his leaner—and military analysts say, meaner—army.

It is this force and the fact that the center of power in Baghdad rests with members of Saddam's extended family that permits him to retain his grip on this crippled, isolated country. How long the people of Iraq can endure such an existence will determine Saddam Hussein's longevity.

Kuwait

Population: 2,204,000
Government: Constitutional monarchy
GDP: $19.5 billion
Per Capita Income: $9,700
Defense Expenditures: $11.1 billion
Armed Forces: Army—7,000; Navy—200; Air Force—1,000; Paramilitary—7,000
Total Regular Armed Forces: 8,200

When the Iraqis were finally driven out of Kuwait, they retreated in such an orgy of murder and senseless destruction that Gen. Norman Schwarzkopf wondered if they were really a part of the human race. In addition to releasing the largest oil spill in history, they set fire to more than 600 oil wells and turned the National Museum into a pile of rubble. They burned libraries, homes, hospitals and palaces and dumped the mutilated corpses of tortured Kuwaitis into the streets. Kuwaiti women and children were rounded up and taken north to be used as human bargaining chips by the fleeing Iraqis. Kuwaiti planners estimated that rebuilding could cost many billions of dollars and that recovery could take as long as five years, rivaling the Marshall Plan for Western Europe following World War II.

But the cleanup has proceeded more rapidly than anticipated. The oil fires, which were estimated to take up to five years to extinguish, were extinguished in seven months. Kuwaiti and Saudi officials are saying now that they expect Kuwait's oil exports to exceed 1.3 million barrels a day by the end of 1992. Before the invasion, Kuwait pumped two million barrels a day.

A nation that has long lived on the labor of outsiders is now attempting to enforce a degree of self-reliance. Before the Iraqi invasion more than a million foreigners were the mainstay of Kuwaiti governmental, technical and other services. Eight out of ten of them fled the invading Iraqis—as did two-thirds of Kuwait's citizens—and many have not been allowed to return. Especially unwelcome now are 350,000 Palestinians who are being punished for Yasir Arafat's support of Saddam.

Sheik Jabir al-Ahmad Al Sabah, the emir of Kuwait, returned to reestablish government control in March. The Al Sabah dynasty has headed the sheikdom since 1756. Unlike most Arab societies, Kuwait is notable for being largely classless. This is attributed in part to the absence of agriculture and the ensuing hierarchies, usually based on land ownership. In addition, tribal ties—as well as government policy—have tended to minimize the relevance of the unequal distribution of wealth. A constitution was framed in 1962 that extended the vote to all Kuwaiti males over 21, but it was suspended in 1966 and the emir has since ruled by decree.

By the end of the year, most of Kuwait's physical damage was well on the way to repair. For many Kuwaitis the human damage suffered at the hands of Saddam's invading army is irreparable. Whether or not the people of Kuwait will ever enjoy the accoutrements of democracy—including genuine elections, a free press and respect for human rights—is another question. As long as they can partake of the wealth of the oil fields, most Kuwaitis do not seem disposed to protest their lot in life.

Saudi Arabia

Population: 17,869,000
Government: Monarchy
GDP: $79 billion
Per Capita Income: $4,800
Defense Expenditures: $26.8 billion
Armed Forces: Army—45,000; Navy—9,500; Air Force—18,000; Air Defense Force—4,000; National Guard—55,000; Paramilitary—11,000
Total Regular Armed Forces: 76,500 (excludes National Guard)

Once Operation Desert Storm was over, it didn't take long for Saudi Arabia to return to its placid ways. Half a million American troops and their coalition partners had barely packed up and returned home to a hero's welcome when the Saudi kingdom was once again caught up in an intense political crossfire. Secular moderates seeking a greater voice in Saudi decision-making were again confronted by religious conservatives who will sanction no changes to the rule of Islamic law. King Fahd has the delicate task of trying to strike a balance between opening up the family-run government and preserving his royal dynasty.

At the very end of the year, King Fahd announced that procedures for the establishment of a new Consultative Council will be decreed in the early months of 1992. The purpose of the council will be to advise the king and his cabinet ministers in making laws and reviewing all foreign and domestic policies. This should afford the moderates more of a say in the government, but since the king will appoint all the members, and since the cabinet is controlled by the Islamic conservatives, there is not expected to be a major decentralization of power in Saudi Arabia.

Desert Storm ended in February and the foreign troops redeployed at a rapid pace. By the end of the year there remained only about 250,000 tons of American ammunition out of the millions of tons of arms and equipment originally deployed to Saudi ports. The American government had been led to believe that there would be agreement on prepositioning a sizable stockpile of U.S. equipment on Saudi soil, but that plan was overruled by the group of Islamic scholars who advise the king. As the guardians of Islam's holiest of holy places, the cities of Mecca and Medina, they felt it was bad enough to allow infidels on their soil to fight a war against a fellow Muslim. Once the war was concluded, they insisted on the reestablishment of Islamic order. (Agreements were concluded with Kuwait and Bahrain, however, to leave some equipment behind as an emergency stockpile.)

Once the coalition forces had withdrawn, the Saudis moved forward with a plan to substantially improve their own defense forces, principally through purchases of air-

craft (72 F-15 fighters) and missiles (14 Patriot batteries) from the United States. The offer to purchase the F-15s, at a cost of $4 billion, was withdrawn when the Saudis learned that 67 U.S. senators had signed a letter to President Bush opposing the sale; the $3.3 billion Patriot sale is pending.

Washington also looked to Riyadh for support in its effort to convene an Arab-Israeli peace conference, but even that effort was approached with reluctance by the Saudis. It took some four months and much U.S. State Department lobbying to persuade them to sponsor an observer at a peace conference. Surprisingly, when it appeared that Syria would scuttle the first session of the Middle East peace conference in Madrid, it was Prince Bandar bin Sultan, Saudi Arabia's ambassador to Washington, who coaxed the Syrian foreign minister back to the table.

This up-front role is a new position for the Saudis, who heretofore had worked hard at keeping a low profile. To many Westerners, that suggests a realization that this is the time to bring the festering Arab-Israeli dispute to some rational solution. To many Saudis it is looked upon as a threat to their stability.

ASIA AND THE PACIFIC—ECHOES OF PEACE AND PROGRESS

Like most of the nations of the world, the countries located in Asia and around the Pacific Rim are still feeling repercussions from the changes that occurred in the world in 1991. The demise of communism in Eastern Europe, the collapse of the former Soviet Union and the end of the Cold War all were felt in varying degrees by governments around the globe. Prospering and long-enduring political alliances have been rendered moot and once-intractable relationships have shifted rapidly as nation after nation finds its leverage in international affairs significantly altered by the ending of the Cold War.

Vietnamese officials met with the Chinese leadership in Beijing, where the two countries patched up a relationship that had been seriously sundered by decades of hostility. Prime Minister Li Peng visited India, the first high-ranking Chinese official to call on New Delhi in more than 30 years. Some observers have even perceived the United States tilting, however slightly, toward India as U.S. relations with long-time ally Pakistan cooled.

These shifting alliances and revised interests presented the opportunity for several stunning diplomatic events in Asia during the year just ended. Fighting ended in Cambodia as the various warring factions finally came together under an ambitious United Nations peace plan. Hopes for a settlement of the conflict in Afghanistan were raised when the then Soviet Union and the United States agreed to stop supplying arms to their respective clients.

The American government, at long last, began talks with the communist regime in Vietnam with the aim of eventually normalizing relations between these two protagonists. On Taiwan the doors to democracy began to swing open, and the Philippine senate asserted that island-nation's independence by telling Uncle Sam to close his air and naval bases and go home.

The economies of most Asian and Pacific countries improved—some even flourished—in 1991. Capitalism and the free marketplace were clearly becoming the system of choice. Countries like Vietnam and China were careful to retain firm political control at the center, but they also recognized that prosperity at the worker level was an important element of political stability.

Despite claims to the contrary, and against the wishes of most countries in the area, the United States is reducing its military presence along the Pacific Rim. Financial problems at home, the failure of the Philippine base negotiations and trade frictions with key Japanese alliances all seem to portend a reduced U.S. presence in this vital area of the world. The outcome of the 1992 presidential election in the United States could be pivotal in terms of the role to be played by America in Asia and the Pacific. A power vacuum may already be developing and the question that begs an answer is, What nation will step forward to fill it?

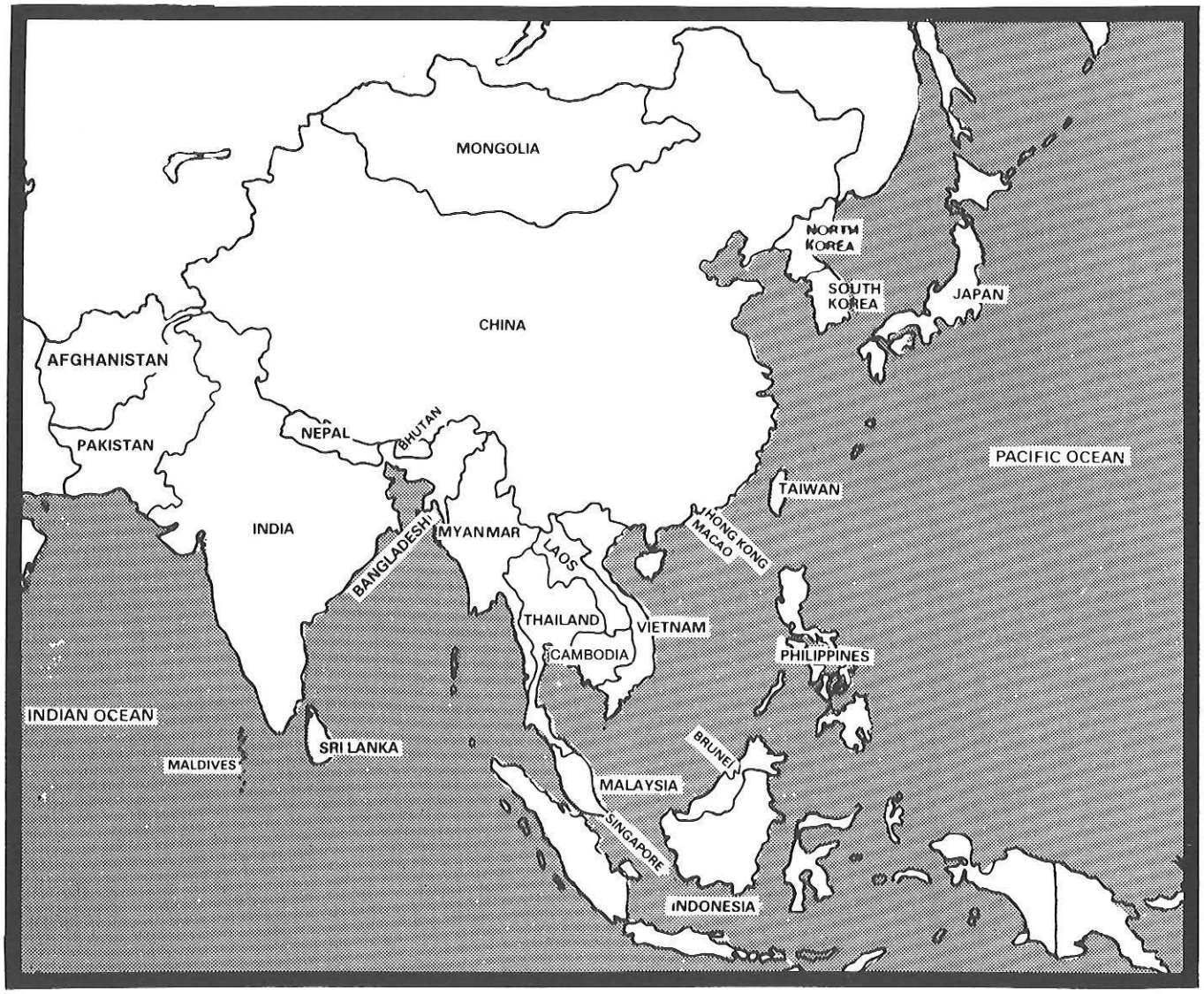
Japan

Population: 124,017,000
Government: Parliamentary democracy
GNP: $2,115.2 billion
Per Capita Income: $17,100
Defense Expenditures: $32.9 billion
Armed Forces: Army—156,100; Navy—44,000; Air Force—46,300; Paramilitary—12,000; Reserves—48,400
Total Regular Armed Forces: 246,400

Our 1990 year-end assessment noted that the Japanese were having difficulty responding to Saddam Hussein's takeover of Kuwait and the buildup of United Nations forces in the Persian Gulf. The Desert Storm shooting war was over and won while Japan's proposed $9 billion contribution was still working its way through the Diet. Once again Prime Minister Toshiki Kaifu was unable to marshal a quick consensus and once again Japan demonstrated an inability to assume a pertinent role in the world community.

Even after Saddam's forces were ejected from Kuwait, the Japanese agonized over participation in a U.N. peacekeeping force. In September Kaifu introduced a "peacekeeping battalion" bill that would permit use of Japanese Self-Defense Force troops in such a role. The contingent—limited to a 2,000-man force—could be used only for U.N. activities and only after a cease-fire was in place; if fighting erupted the troops were to get out of the way. But in October, when Kaifu was forced to give up his position as head of government to Kiichi Miyazawa, he still did not have authority to dispatch Japanese forces for peacekeeping activities overseas. After Miyazawa became prime minister, with that legislation as his number-one priority, the Diet postponed action on the bill until next year, possibly killing it for now.

ASIA AND THE PACIFIC BASIN



The power vacuum at the heart of Japan's political system explains in part why such peacekeeping legislation has been difficult to enact into law. More importantly, however, these problems reflect a public ambivalence and an overall sense of uneasiness over a global role for the Japanese forces, regardless of the cause.

Last April Soviet President Mikhail Gorbachev made a historic visit to Japan. High on the Gorbachev/Kaifu agenda were the four small Soviet-occupied islands north of Hokkaido called the Northern Territories. The Japanese offered Gorbachev an economic package valued at about $26 billion for return of the islands. This summit resulted in 15 initialed accords on such subjects as cultural centers, trade fairs and fishing rights, but failed to resolve the island question. From the Japanese standpoint the negative outcome of the talks meant that the large-scale economic assistance needed and sought by the Soviets would not be forthcoming.

Prime Minister Kaifu's term of office ended on Oct. 30. Although he was popular with the Japanese people, his party abruptly withdrew its support and Kaifu was out of a job.

Replacing Kaifu was 72-year-old politician and former Deputy Prime Minister Kiichi Miyazawa. The new PM faces a number of tough issues in addition to the U.N. peacekeeping project. He must also find ways to define Japan's role in Asia and to deal with its growing trade surplus throughout the world.

Economically, Japan seems to have the momentum for the 1990s, with 58 months of continuous growth as of October. However, a slowdown occurred during the last half of the year which resulted in an increasing number of bankruptcies. Also, the stock market has yet to recover from a huge drop last year, and the real estate market is wavering. Nevertheless, Japan will amass a large trade surplus this year (forecast at about $90 billion); the leading cause is not

an increase in exports but rather a decline in imports. As the Japanese government attempts to define its role in world affairs, it is also reflecting on the role of the Japanese self-defense forces. Japan continues to increase defense spending annually; the defense budget for 1991 exceeded $32 billion. Each year the Japanese arms industry grows in size and sophistication. Modernization of the armed forces is continuing, and the Maritime Self-Defense Force is developing into one of the world's top six navies. The question is how Japan can move forward in the military area without stirring latent fears of Japanese militarism in its own people and in the rest of the world. It is clear that the Japanese could build a strong offensive military in a short period of time. Moreover, as President Roh Tae Woo of South Korea recently remarked, "An offensive capability could be realized by a mere shift of intent."

The Year of the Sheep was not easy for the Japanese as they struggled to find out where they want to be with respect to the rest of the world.

Republic of Korea

Population: 43,134,000
Government: Republic
GNP: $238 billion
Per Capita Income: $5,600
Defense Expenditures: $11 billion
Armed Forces: Army—650,000; Navy—60,000; Air Force—40,000; Paramilitary—3,500,000 civilian defense corps; Reserves—4,500,000 all services
Total Regular Armed Forces: 750,000

The divided Koreas remain one of the last vestiges of the Cold War. However, 1991 heralded a series of accords between North and South Korea, giving rise to growing optimism that something more than just an armistice may be possible in the Land of the Morning Calm.

South Korean President Roh Tae Woo announced early in the year that his government was set to work with the North and predicted that a unified Korea was not far from reality. As one of the first signs from North Korea that it is ready to participate, President Kim Il Sung said he would accept a confederation of two members rather than one state as he has long insisted. In July, a shipment of 5,000 tons of rice sent to the North from Seoul represented the first official trade between the two parties since 1948. Both Koreas were invested into the United Nations on Sep. 17—a major triumph for Roh's policy designed to isolate North Korea from long-time sponsors China and the Soviet Union. Five meetings of the prime ministers of the two governments have been held since September. As a result of the late October meeting (the fourth round), working-level negotiators have been crafting a joint "Agreement of Reconciliation, Non-Aggression and Exchanges and Cooperation."

On Dec. 13 the two Koreas signed an accord pledging nonaggression and greater exchanges of people and communications. The agreements do not end the war (an armistice has existed since 1953) but could be historic, depending on how they play out.

Looking to the future, South Korean leaders have been reviewing the German unification model, but most policymakers have concluded that the German path would not work. Estimated at more than $400 billion to unite the Koreas, costs alone have caused Seoul to reevaluate unification in a more realistic way. South Korean officials point out that the difference in income between the North and South is greater than between the two Germanys; also, North Korea's population equals 60 percent of the South's, as opposed to East Germany's 25 percent of the West's number. In addition, there was no bitter war and subsequent enmity in Germany—as was the case in Korea—and the two Germanys had a 20-year head start in the United Nations.

Since 1984, intelligence operators in South Korea and the United States have been concerned about growing evidence that North Korea is acquiring the ability to construct a nuclear weapon. The most recent intelligence estimates are that North Korea could have this capability within a year. Worldwide concern on this issue has been heightened by the North's refusal to allow the International Atomic Energy Agency (IAEA) to accomplish on-site inspections of its nuclear power facilities.

Pyongyang says it would permit IAEA's on-site inspections if the United States removes its nuclear weapons from Korea and South Korea renounces the U.S. nuclear umbrella. While denying any linkage, the United States announced in early fall that it would withdraw all nuclear weapons from South Korea and President Roh followed with an announcement that South Korea would renounce the manufacture, possession, storage, deployment or use of nuclear and chemical weapons.

A nuclear declaration, not part of the nonaggression and conciliation pact signed earlier, was initialed on the last day of the year. Both sides agreed to ban nuclear weapons from the peninsula. Unfortunately, the declaration did not settle the important issue of international inspections of nuclear facilities.

The ROK government increased its defense budget by more than 12 percent for 1992. This compensates for projected U.S. troop withdrawals announced last year and the possibility of further U.S. troop reductions through the 1990s. Although it is not yet official, U.S. defense officials have mentioned a force level of about 30,000 (down from 43,000) by mid-decade. In conjunction with diplomatic efforts to control North Korea's growing nuclear threat, Secretary of Defense Richard Cheney announced a postponement of planned future reductions of U.S. military forces in South Korea at this time.

By mutual agreement, the United States and the ROK are making moves for Seoul to take a leading role in the ROK/U.S. mutual defense arrangements. Early in the year, an ROK army general was named the senior allied representative to the Military Armistice Commission, a position heretofore held by a U.S. flag officer. It was announced that an ROK army general would become ground compo-

nent commander in the combined ROK/U.S. forces command and, in October, the last U.S. forces were withdrawn from duty in the Demilitarized Zone. The United States has agreed to move its large military headquarters out of Seoul to a location south of the capital, with the Korean government underwriting the cost. In addition, the ROK army will assume complete control of the United Nations portion of the Armistice Conference site at Panmunjon sometime in 1992.

When the economic smoke settles for 1991, the ROK economy will register real growth of about 9.9 percent. An inflation rate between 10 and 20 percent, however, is a real problem and prevents low-income groups from participating in Korea's economic miracle.

The road to a Korean-style democracy was far from smooth in 1991. The spring student riot season had many in the streets protesting the Roh government's policies. The protests increased in intensity following the fatal beating of a student by riot police. While the student protest movement remains somewhat volatile, it seems to be losing support among the middle class.

Based on a Roh campaign promise, a series of first-ever elections designed to elect local officials and later mayors and provincial governors was held. The turnout was only about 55 percent, with an air of general apathy prevailing in urban areas. The Koreans are learning that democracy is not a perfect system, just the best around.

North Korea

Population: 21,815,000
Government: Communist dictatorship
GNP: $29.7 billion
Per Capita Income: $1,390
Defense Expenditures: $5.2 billion
Armed Forces: Army—1,000,000; Navy—41,000; Air Force—70,000; Paramilitary—4,200,000; Reserves—5,540,000 all services
Total Regular Armed Forces: 1,111,000

Much of what happened in this self-styled workers' paradise during 1991 was simply a repeat of years gone by, except for the momentous accords signed in December by the two Koreas.

The "Great Leader," Kim Il Sung, opened the year by proclaiming continued adherence to the hard-line communist dogma which has prevailed over the last four decades. Tensions remained high between the North and the South, fostered by two large military machines facing each other across the Demilitarized Zone. In 1991, there was added concern as North Korea moved relentlessly toward a nuclear capability. Although North Korea was elected to the United Nations in September, the communist stronghold remained diplomatically isolated. Its economy remained in a shambles.

Over the year, a parade of Western dignitaries to North Korea returned with the impression of a gradual opening of the rigid Stalinist system. Pyongyang's move to normalize diplomatic ties with Japan was one example, and the major steps taken by the Kim Il Sung regime were accepting dual membership in the United Nations for the two Koreas and signing the pacts of nonaggression, conciliation and nuclear restraint with South Korea.

For the first time since 1957, Kim Il Sung seems to have accepted the reality of a division on the peninsula. The reversal of his position came after China refused to commit to a veto of South Korea's application for U.N. membership. By this dual membership, North Korea recognized the de facto government of South Korea.

Offset by this, however, was the alarm over Pyongyang's nuclear ambitions. First reported in 1984, it is now clear that North Korea will have the capability to produce a nuclear weapon in one or two years. Although North Korea signed a nonproliferation treaty in 1985, it has steadfastly refused to permit the International Atomic Energy Agency to inspect its nuclear research facilities.

In September, President Bush announced that the U.S. government would remove all nuclear weapons from South Korea. This move was given added emphasis when South Korean President Roh Tae Woo rejected the use, development or deployment of nuclear weapons.

At the fourth round of high-level North/South talks in October, the prime ministers agreed to negotiate a single comprehensive accord outlining details that would end the state of confrontation and promote peaceful exchanges. While there was only a limited discussion of the nuclear issue, the North appeared to some observers to be more forthcoming than usual. Both countries seem to have settled on a go-slow unification stance, with Kim Il Sung again talking about bringing the two countries together in a confederation agreement.

A shift in North Korean thinking can be attributed to the country's economic decline. The economy is reported to have contracted 37 percent in 1990, and a severe recession continued through 1991. Food is in short supply. A lack of oil resulted in power shortages that drastically reduced factory output. The foreign debt of $8 billion is 35 percent of the gross national product and the last time Kim was able to borrow money, he defaulted on the loan. Even Pyongyang's only remaining ally, China, has been reluctant to increase aid.

Despite the bleak economic picture, the North Korean military remains strong and threatening to the South. The defense budget continues to garner something like 20-25 percent of the GNP and there is little evidence that Kim plans to reduce the size of his force. In fact, the military and the arms industry appear to enjoy ready access to otherwise scarce resources. The North Korean arms production base is extensive and relatively sophisticated by Third World standards and has generated some uneasiness, particularly over middle-range missile (Scud B) sales to countries in the Middle East. That situation may develop hard currency for North Korea, but it creates hard feelings elsewhere.

China

Population: 1,151,487,000
Government: Communist people's republic
GNP: $413 billion
Per Capita Income: $370
Defense Expenditures: $7.6 billion
Armed Forces: Army—2,300,000; Navy—260,000; Air Force—470,000; Paramilitary—12,000,000; Reserves—1,200,000 all services
Total Regular Armed Forces: 3,030,000

In March, China's foreign minister completed a 17-day trip through Eastern and Western Europe. That journey represented the final stage of a two-year effort to break the ostracism China has suffered since Tiananmen Square. It is apparent the effort is paying off. Last July, Saudi Arabia abandoned its close ties with Taiwan, Indonesia and Singapore and established full relations with China. Japan and the European Community dropped most of the sanctions imposed because of the Tiananmen Square incident, and Australia dropped them all. Most importantly, the prime ministers of Japan and Britain and U.S. Secretary of State James Baker all visited Beijing during 1991.

Japanese Prime Minister Toshiki Kaifu was the first to pay his respects with a late July state visit. During the course of meetings, Prime Minister Li Peng gave hints that the only nuclear power not a signatory to the nuclear nonproliferation treaty may be ready to sign. Kaifu was followed to Beijing in September by Britain's Prime Minister John Major, who was the first Western European leader to visit China in more than two years. But it was clear that Secretary Baker's visit in the late fall signaled the real end of China's isolation.

China's single foreign policy over the years has been to forestall a superpower hegemony. The breakup of the Soviet Union and the stunning American victory in the Persian Gulf ended the triangular game so skillfully played by China. China no longer has the strategic importance it held at the height of the Soviet/U.S. rivalry. The Chinese are finding it difficult to gain any diplomatic leverage from their relationships with the ex-Soviet republics. At the same time the souring Sino/U.S. relations have given President Bush problems at home.

Baker's visit accomplished little, with only modest concessions on the part of the Chinese. They agreed to account for the fate of 800 political prisoners and to sign a memorandum of understanding preventing the export of prison-made goods. Beijing set March 1992 as the date for ratification of the nonproliferation treaty and indicated they would also adhere to the provisions of the Missile Technology Regime (an agreement to prohibit the sale of long-range missiles). Compliance with the latter means the Chinese will no longer be able to export M-9 and M-11 missiles—both best-sellers in the Third World.

Throughout the year, the Chinese public economic sector floundered while the private sector continued to prosper, especially in that part of southern China which borders Hong Kong. As a result of Deng Xiaoping's reforms, there has been a 12-year economic boom in southern China. In 1979 Shenzhen, near Hong Kong, had fewer than 100,000 people. Today there are over two million inhabitants with a per capita gross domestic product close to $2,000 per year. The 63 million people of Guangdon province saw their GDP grow from $13.8 billion in 1980 to $44.2 billion in 1990. In contrast, the Chinese state economy is withering. Forty percent of state enterprises are losing money, stockpiles are growing and losses are mounting daily.

The involvement of the Peoples Liberation Army (PLA) in the Tiananmen Square incident seems to have returned dividends. Early in the year Beijing announced a 12 percent increase in defense spending. Coming on top of a similar jump in 1990, this reflects the growing influence of the PLA. The performance of Western military equipment in the Persian Gulf stunned the Chinese military and underscored the technological gap between China's army and those of the Western allies. While some believe it will be impossible to catch up, the Chinese military will continue to use the modernization argument as rationale for increased defense spending.

Taiwan

Population: 20,659,000
Government: Republic
GNP: $150.8 billion
Per Capita Income: $7,380
Defense Expenditures: $9.3 billion
Armed Forces: Army—270,000; Navy—30,000; Marines—30,000; Air Force—70,000; Paramilitary—25,000; Reserves—1,657,500 all services
Total Regular Armed Forces: 370,000

During 1991 Taiwan continued its move toward democracy without the violent clashes seen in Korea or the frequent coup attempts in the Philippines. The democratization process which was started by Generalissimo Chiang Kai-shek's son, President Chiang Ching-kuo, has flourished under his successor, President Li Teng-hui. The process really means the surrender of power by the old mainland Chinese who came with the elder Chiang to the island in 1949.

In May, President Li announced the end of "The Period of Mobilization for the Suppression of the Communist Rebellion." This significant step could open the way for closer ties with China and revoke a number of limiting emergency decrees that have governed life on the island for 43 years. However, Li stopped short of declaring an end to the formal state of war with mainland China, his move being largely ceremonial and made in recognition of changes that have already been established through people-to-people relationships.

Allied with the greater freedom now enjoyed by the Taiwanese is the growing ability of the government to accept debate over independence from the mainland. At every level, Taiwanese are discussing the subject of independence, and many politicians seem willing to relinquish any claim of representing all of China. In September, the opposition party adopted a draft constitution calling for an

independent Republic of Taiwan contingent on the results of a country-wide referendum.

An independent Taiwan is an anathema to both the Kuomintang and the mainland communists. Under current law, the Taiwan government can prosecute overt support for independence, but thus far it has chosen not to deal with it. In Beijing, talk of independence for Taiwan is met with repeated warnings that such a move would be cause for military action by China.

Putting the talk of independence aside, a number of Taiwanese officials believe that a series of converging trends may make confrontation between the two Chinas more likely in the 1990s. Consequently, Taiwan's military continues to receive adequate budgetary support. Based on a review of the Persian Gulf War, defense officials now believe, more than ever, that advanced weapons hold the key to a successful defense of the island. Essentially cut off from U.S. military aid, Taiwan has embarked on a program to become militarily self-sufficient by the beginning of the next century. A significant portion of its defense budget is going into a growing research and development effort with a focus on combat-multiplier technology such as electronic warfare.

Economically things seem to be back on track for Taiwan. Many were surprised at the quick economic recovery from a bad year in 1990. A major reason for this success has been an increase in Taiwan's exports (up by more than half to about $9 billion) to Hong Kong—practically all destined for China. Early in the year Taiwan's Investment Commission allowed a textile company to invest almost $1 million in a joint venture in Shanghai. This was the first "official" investment with China; not to be deterred by laws, over 2,000 Taiwanese companies have already invested about $2 billion in companies on the mainland. Some in Taipei worry about this growing interdependence, which could impact Taiwan's political future.

In an effort to prepare Taiwan for the next century, the government announced it will spend over $300 billion on public works between now and 1996. Roads, bridges, railroads, sewer systems and other infrastructure improvements are programmed. Like other tigers of the Pacific Rim, Taiwan, in its effort to grow economically, has ignored its mounting infrastructure problems. The $300 billion Taiwan expects to spend should help to overcome some of this shortfall and improve the quality of life for Taiwanese.

Philippines

Population: 65,758,000
Government: Republic
GNP: $45.2 billion
Per Capita Income: $700
Defense Expenditures: $968.4 million
Armed Forces: Army—68,000; Navy—23,000; Air Force—15,500; Paramilitary—135,000; Reserves—128,000 all services
Total Regular Armed Forces: 106,500

The year 1991 will long be remembered by the people of the Philippines, who suffered two gigantic natural disasters and saw the end of a special relationship with the United States that had extended over 90 years.

The eruption of the volcano at Mount Pinatubo in June propelled ash clouds and rock over 25 miles from its center. Volcanic ash six to twelve inches deep covered the countryside and at Clark Air Base collapsed dozens of buildings, resulting in an estimated $500 million in damage. The impact on Clark was so extensive that the U.S. government decided to return the base to the Philippine government.

On the island of Leyte wind, rain and mud slides caused by tropical storm Thelma killed more than 3,000 (some estimates exceeded 7,000 deaths). Even for a people steeled against such tragedies, the Leyte event sent shock waves through the country.

Historians may well conclude that the most significant happening of 1991 was the Philippine senate's vote in September to reject the U.S. base treaty. After a series of stop-and-go negotiations, the two countries agreed on a base deal in July that would allow the United States to use Subic Bay Naval Base for another ten years at a cost of $203 million per year over the life of the treaty.

To many Filipinos the American bases had represented 90 years of friendship, plus a livelihood for about 40,000 workers. To others, the vast concrete and tarmac structures were reminders of a continuing dependence on Uncle Sam. The Philippine senate formally rejected the base treaty on Sep. 17, ending nearly a century of U.S. presence in the Philippines. It was clear to opposing senators that this was a vote for independence and a truly historic moment.

President Corazon Aquino considered putting the base issue to a vote of the Filipino people but quickly dropped the idea when the constitutionality of the referendum was questioned and she was threatened with impeachment. The president then declared that U.S. forces would have three years to vacate Subic Naval Base. While it is possible that a new agreement could be reached after the May 1992 election of a new senate, it is virtually a sure bet the U.S. military will be out of the Philippines by the end of 1992.

With the base issue out of the way, the run-up to the May 1992 elections began in earnest. President Aquino now seems certain to finish her term, having survived six coup attempts over the last five years. Despite some recent coyness she continues to proclaim she will not be a candidate. At latest count there were eight candidates, a situation which could produce a minority president with 30 percent or less of the popular vote. At year's end the leading presidential aspirants appeared to be Senator Juan Ponce Enrile and former Minister of Defense Gen. Fidel Ramos. Vice President Salvador H. Laurel is also a candidate, and Imelda Marcos has given rise to speculation that she might enter the presidential race.

In April, Aquino changed the military leadership by selecting Maj. Gen. Lisandro Abadia as armed forces chief of staff over 42 more senior officers. Abadia vowed to keep the military neutral in the elections and to reduce the communist guerrilla force of 17,000 to a size that could be

handled by the police. Recent guerrilla incidents, however, indicate that the threat is significant and far from being neutralized.

Early in the year, the Manila government made some tough economic decisions and the agriculture sector rebounded from earlier disasters. Later on, a private spending boom began and it appeared that there was growing public confidence that an economic turnaround was possible. Inflation remained in check at about 16 percent for 1991. Still, the Philippines remains in a recession. Growth of the gross domestic product has declined from 2.5 percent in 1990 to 1.5 percent in 1991. Future economic stability will depend on the Philippines' ability to negotiate new lending programs with the International Monetary Fund and achieve a debt restructuring package to cover some $5.3 billion in loans. If the 1992 election campaign proves to be too divisive, however, stability will be threatened and both local and foreign investors could be frightened away. To overcome such a situation requires the kind of stability and dynamic leadership that Filipinos have not enjoyed for many a year.

Vietnam

Population: 67,568,000
Government: Communist state
GNP: $15.2 billion
Per Capita Income: $230
Defense Expenditures: $2.3 billion
Armed Forces: Army—900,000; Navy—31,000; Air Force—10,000; Air Defense Forces—100,000; Paramilitary—3,600,000; Reserves—3–4 million all services
Forces Abroad: 8,000
Total Regular Armed Forces: 1,041,000

Significant changes for Vietnam in 1991 included initial steps toward normalization of relations with the United States and the demise of Soviet support and presence.

While there were significant changes in the communist old guard there was one constant: Hanoi stuck with the Vietnam Communist Party (VCP) as the sole ruling instrument. Despite a shake-up in leadership at the Seventh Party Congress, there was little evidence of any shift from the policies which have guided Vietnamese communists since 1954. However, there was an infusion of younger talent when eight of the 13 members of the Politburo and about one-third of the 125-member Central Committee were replaced. At the same time, additional representatives from the south were added to the government.

The Party Congress in June selected 74-year-old Prime Minister Do Muoi as the new secretary general of the party. Supporting Muoi as prime minister will be Vo Van Kiet, a reformer credited with introducing Western economic reforms in Ho Chi Minh City while he was mayor. Muoi used his first news conference as secretary general to plead for international assistance to help Vietnam modernize.

In April, the U.S. government reiterated its intent to normalize relations with Vietnam in return for cooperation in negotiating a Cambodian peace settlement and accounting for U.S. military personnel still listed as missing in action (MIA) from the Vietnam War.

Also in April, the United States offered to provide about $1 million in humanitarian aid, the first postwar aid of any type from Washington. The money will be used to buy artificial limbs for Vietnamese military and civilian casualties. In conjunction with the aid offer, Washington established a temporary office in Hanoi to handle MIA accounting, and several joint U.S./Vietnamese searches were conducted for MIA remains.

In late October, when the Cambodian peace accords were signed, Secretary of State James Baker said the United States was prepared to begin talks with Hanoi to normalize relations. Baker also indicated U.S. intent to ease the embargo by permitting Americans to travel to Vietnam. The restriction for Vietnamese diplomats at the United Nations to remain within a 25-mile radius of New York City was also lifted.

In the fall, Vietnam and China normalized relations after 13 years of hostility. China had made the settlement of the Cambodian issue the price for normalization.

Vietnam's foreign policy was unmistakably driven by economic imperatives. The collapse of the Soviet Union not only isolated the Vietnamese leadership but also had an adverse impact on the Vietnamese economy. Vietnam has suffered a resurgence of inflation and increased unemployment. There are some modest indicators, however, for economic optimism. First, Vietnam has become the world's third-largest rice exporter as farmers have responded to incentives that enabled families to work their own land. Also, oil has become a major export item and the biggest source of the budget in the last two years; oil production was up 17 percent in 1991. To lure investment into Vietnam, the government has pledged to streamline its bureaucracy, increase efficiency and productivity in the work place and put new emphasis on education. In December the party leadership abolished subsidies to state industries operating at a loss and seemed determined to move forward on the economic front. As Vietnam struggles through another economic crisis, there appears widespread optimism that it is a crisis on the way out.

Cambodia

Population: 7,146,000
Government: U.N.-sponsored coalition
GDP: $890 million
Per Capita Income: $130
Defense Expenditures: Not available
Armed Forces: Army—55,500; Navy—1,000; Air Force—500; Provincial Forces—22,500; Paramilitary—50,000
Total Regular Armed Forces: 112,000 (includes provincial forces and 32,500 district forces)

The long, torturous and frustrating process of bringing an end to the 12-year-old Cambodian war came to fruition

in October. Prior to final agreement on a United Nations peace plan, there were many twists and turns as three rebel groups and the Vietnamese-supported communist government of Prime Minister Hun Sen maneuvered for position and leverage in the interim government. China and Vietnam were both instrumental in obtaining the signed accord. Additionally, all participants in the struggle came to realize that there was little chance of making significant gains in the field.

The Khmer Rouge, led by the infamous Pol Pot, had suffered several military defeats at the hands of government troops, while the followers of Prince Norodom Sihanouk and the Khmer Peoples National Liberation Front, led by Son Sann, were never really a military factor.

Just before the peace accord was affirmed, Prime Minister Hun Sen's ruling party renounced communism and embraced a multiparty democracy and a free-market economic system. This change was made to improve the party's image for the coming elections. As the peace negotiations proceeded during the year, the exiled Prince Sihanouk assumed a growing role in Cambodian activities. Selected to be part of the transition government, he moved forward to the position of "final arbiter" for the Supreme National Council (SNC). After the Oct. 24 signing of the accords, he returned to Cambodia and was declared president by Hun Sen.

With the U.N. peace plan approved, the world body embarked on one of its most difficult peacekeeping missions. The four Cambodian factions are to share power in the SNC for 18 to 24 months prior to elections. However, the U.N. Transition Authority in Cambodia (UNTAC) will help administer the country and will control some of the most important government functions. UNTAC will be responsible for demobilizing the various armies (70 percent of the forces are to be eliminated and the remainder gathered into separate enclaves). Over 350,000 Cambodian refugees must be repatriated under UNTAC supervision, and elections will be controlled by UNTAC. The initial estimate of costs to the U.N. was in the $1 billion range, but most now believe it will be double that.

Even with the pending peace in Cambodia, there is no guarantee that Pol Pot and his henchmen—responsible for over one million Cambodian deaths from 1974 to 1979—will not regain power. No matter how distasteful, 40,000 well-armed Khmer Rouge soldiers cannot be ignored.

In late November, in accordance with the peace plan, Khmer Rouge leaders arrived in Phnom Penh. A Cambodian mob broke into the Khmer Rouge compound and apprehended Khieu Samphan, their nominal leader. He had to be rescued by army troops after narrowly escaping death.

Twelve years of conflict have left the country devastated, and the end of Soviet and East European aid has crippled the economy. There is still hope that foreign donors and investors will help rebuild this country which has been bombed, mined, starved and isolated. So far, almost all economic activity is confined to Phnom Penh and fails to fill the desperate needs of the people in the countryside. For example, about $1 billion is needed now to rebuild the country's deteriorated infrastructure; over 80 percent of the 4,000 bridges have been destroyed and the roads are all but impassable.

Without a massive infusion of outside help and the complete cooperation of all the internal elements, the real gains Cambodia experienced during 1991 can be quickly lost in 1992.

Thailand

Population: 56,814,000
Government: Constitutional monarchy
GNP: $79 billion
Per Capita Income: $1,400
Defense Expenditures: $2.4 billion
Armed Forces: Army—190,000; Navy—50,000; Air Force—43,000; Paramilitary—141,700; Reserves—500,000 all services
Total Regular Armed Forces: 283,000

Thais celebrated the new Year of the Sheep with a government led by Gen. Chatichai Choonhavan, the first prime minister to also be elected to parliament. The economy under Chatichai was booming, but corruption, a way of life in Thailand, was out of hand and the prime minister's relations with the military were in bad shape. On Feb. 23, the military leaders under Gen. Sunthon Khongsomphong, the armed forces supreme commander, overthrew the government in a bloodless coup. It was the first successful military coup in fifteen years, the 17th overall since 1932.

Soon after the coup, the army was off the streets and most Thais seemed quite unconcerned. King Phumiphon Adunlayadet, Thailand's beloved monarch, delivered a statement of royal approval within three days, something no Thai monarch had done in the eight previous successful coups.

Army commander Gen. Suchinda Khraprayun quickly emerged holding most of the day-to-day power. The junta selected as the interim prime minister Anan Panyarachun, a competent businessman and former ambassador to the United States and the United Nations. The military installed an administration generally consisting of respected and experienced civilian technocrats, diplomats and businessmen. For the most part Anan's civilian team has been able to operate without a great deal of interference from the military.

Upon taking over the government, the military leadership, calling itself the National Peacekeeping Council, abolished the 1978 constitution and declared martial law. The latter was quickly revoked, however. The difficulties of writing a new constitution became the focal point for domestic turbulence throughout the year.

"Democratic forces," fearing that the military would retain power after the scheduled elections, staged large pro-democracy rallies in Bangkok in late November and early December. Their purpose, to remove "undemocratic" clauses from the constitution, met with small success. The

most radical elements still reject the constitution as finally adopted and are determined to continue the fight.

The question of who would be the next prime minister developed. While not campaigning openly, Gen. Suchinda seems to be a front-runner; his opposition will probably be Gen. Chavalit Yongchaiyudh. So much for civilian rule.

Over the last four years Thailand's economy has grown above sustainable levels. This year growth of about 8.5 percent will be achieved, but at year's end a soft landing for the overheated economy seems likely. There has been a sharp drop in investments, bank-lending has slowed and the stock market has turned downward.

Most Thais were consumed by domestic issues, but Thailand's involvement in the Cambodian solution is noteworthy. Also, the visit of Thailand's foreign minister to Vietnam marked the possible end of four decades of hostility between Bangkok and Hanoi. The end of the Cold War and the progress in resolving 13 years of conflict in Cambodia would seem to bode well for Thailand. However, the Thais still face the challenge of creating internal stability.

India

Population: 866,352,000
Government: Federal republic
GNP: $254 billion
Per Capita Income: $300
Defense Expenditures: $9 billion
Armed Forces: Army—1,100,000; Navy—55,000; Air Force—110,000; Paramilitary—682,000; Reserves—460,000
Total Regular Armed Forces: 1,265,000

India continues to be wracked with secessionist movements and Hindu/Muslim communal violence. Also, there is considerable sentiment that the Fabian socialist pursuit of self-sufficiency and disdain for consumer goods is ruinous and that the central planning system borrowed from the Soviet Union is a mistake. Throughout the year, India's economy remained on the brink of collapse and the people were openly losing faith in the system. These seemingly intractable problems were overlaid by the tragic assassination of former Prime Minister Rajiv Gandhi, who was campaigning in the national election required by the fall of Prime Minister Chandra Shekhar's minority government earlier in the year.

From the election emerged an unlikely leader who has demonstrated he may be able to govern this divided country of over 850 million. P.V. Narasimha Rao, a 70-year-old scholarly veteran politician, was named head of the Congress Party upon Gandhi's death and was later asked to form a government with the Congress Party as its nucleus.

In the northwest states of Kashmir and Punjab, armed conflict raged throughout the year. In Kashmir it was a battle between Muslims and Hindus with some Kashmiri guerrillas fighting for independence and others wanting their state to become part of Pakistan. Clashes between Indian and Pakistani forces across the border have increased. India accused Pakistan of aiding both Kashmiri guerrillas and Punjabi dissidents. Sikh extremists have fought for some eight years for an independent homeland in Punjab. Only in the state of Assam, in eastern India, did insurgents appear ready for a peaceful settlement with New Delhi.

Not since independence 40 years ago has India faced the Hindu/Muslim violence now sweeping the northern portions of the country. Hindus believe they are victims of reverse discrimination because of laws that favor Muslims and lower castes. Consequently, Hindu nationalist political parties are growing. One, the Bharatiya Janata Party (BJP), is now the second-largest in parliament and claims to be the nation's only avenue to clarification of its Hindu identity. On the other hand, hard-line Muslims preach that the Hindus can be defeated again as they were during the invasions centuries ago.

In March, Indian President Ramaswamy Venkataraman dissolved parliament and called for elections in May. Gandhi's death during the campaign marked the end of a political dynasty that had dominated Indian politics since shortly after World War I. The Congress Party named Rao as its head and went on to win the postponed elections in June. With its allies, Congress gained 236 parliamentary seats, 15 short of a majority. After forming a series of alliances with other parties, Prime Minister Rao got off to a fast start.

Facing serious economic problems, Rao twice devaluated the rupee, announced new trade policies formulated to encourage foreign investment and developed an austerity budget. The IMF, encouraged by these steps, announced approval of a $2.2 billion loan. This, combined with an earlier IMF loan of $1.8 billion, could buy some time for Rao's new free-market policies to take hold.

India has been the champion of anticolonialism, nonalignment and Third World solidarity, with China and Pakistan as its chief threats. Ever suspicious of America, New Delhi had fostered a special relationship with the Soviet Union. Today India cannot play the Soviet Union against the West, and the nonalignment movement is dead. With Pakistan no longer a strong strategic ally of the United States, Washington now appears to be tilting more toward India. The two countries have agreed to high-level exchanges of military personnel and are considering combined military exercises in the Indian Ocean, something India never did with the Soviet Union.

In Prime Minister Rao's austerity budget, funds for the military were cut 28 percent, ending a decade of growth. With the budget cuts, acquisition of a new aircraft carrier (long a goal of the military) is, for all practical purposes, dead, and the Soviet nuclear-powered submarine on loan has been sent back to Vladivostok.

1992 should be a pivotal year for India to turn things around, if possible. To do this, however, Prime Minister Rao must exhibit the statesmanship of past leaders such as Mohandas Gandhi and Jawaharlal Nehru.

Pakistan

Population: 117,490,000
Government: Federal republic
GNP: $43.3 billion
Per Capita Income: $380
Defense Expenditures: $2.9 billion
Armed Forces: Army—500,000; Navy—20,000; Air Force—45,000; Paramilitary—238,000; Reserves—513,000 all services
Total Regular Armed Forces: 565,000

Pakistan is now gripped by perhaps the worst outbreak of lawlessness and violence in recent history. In the province of Sindh, crime and ethnic strife have been especially bad, pitting displaced Indian Muslims against Urdu-speaking Mohajirs and Sindhis. In the northeast, Pakistan and India continued to clash along their common border over the disputed Kashmir territory, with Islamabad supporting the brutal insurgency in India's Kashmir state.

Pakistan remains one of the poorest countries in the world, with the world's highest birth rate (each woman bears an average of six children). Only one citizen out of four can read or write, and many rural people live in virtual serfdom. Drug trafficking is widespread; violations of human rights are routine. On the United Nations' freedom scale, Pakistan ranks 79th—just after Vietnam—out of 88 countries. Corruption is rampant throughout the civilian government and the military.

Prime Minister Mian Nawaz Sharif, who defeated Benazir Bhutto last year, quickly put into place an ambitious program to privatize the state-owned businesses that have been a drag on the economy since they were nationalized in the early 1970s. Sharif recognized that the country was on the brink of economic disaster. Pakistan borrowed heavily to cover its mounting deficit and amassed a $30 billion debt, the service of which requires 30 percent of its annual export earnings. Despite the critical need for revenue, fewer than one percent of Pakistanis pay direct taxes. To help forestall economic disaster, the government is deregulating the foreign capital market, streamlining business laws and regulations and encouraging private investment in transport, communication and energy. Prime Minister Sharif is banking his reputation and his political life on the most sweeping economic and social changes ever attempted in this underdeveloped country.

Several times during the year observers of Pakistan predicted the end of Sharif's government. Labor's support of his economic changes fluctuated and businessmen disliked the added tax burdens. The military, which has run the country for over one-half of its 44-year existence, generally remained in Sharif's camp.

The orderly transfer of power when army chief of staff Gen. Aslam Beg retired was a step forward for this three-year-old democracy. The peaceful retirement of the army chief, on a schedule laid down by the elected civilian government, is a rare event. The new army chief is Gen. Asif Naivaz, who must quickly decide if Pakistan's nuclear program is worth the cut-off of U.S.-provided conventional arms. Pakistan has long relied on the West's technology to counter India's superiority in numbers. The lack of American spare parts is already affecting military readiness and will have greater impact as the arms ban continues. There is also a possibility that anti-American feelings have grown so acute that any move to modify the nuclear program in order to accommodate the United Sates would cause Sharif's government to fall.

While Pakistan's fixation on India remains paramount, it is clear that the rest of the world is growing disinterested in if not hostile to Pakistani issues. During the Cold War, Pakistan positioned itself as a pro-Western bulwark against the superpower Soviet Union to the north and India, an aspirant to that status, in the east. Today, these threats are all but gone.

The year ended with Prime Minister Sharif's government intact, but the democratic process as known in the West has yet to take hold. Until now, no leader has given Pakistan the necessary combination of political stability and a prospering economy. We will see if Sharif is to be the first.

Afghanistan

Population: 16,450,000
Government: Authoritarian
GDP: $3 billion
Per Capita Income: $200
Defense Expenditures: $286.6 million
Armed Forces: Army—40,000; Air Force—5,000; Paramilitary—87,000
Total Regular Armed Forces: 45,000

In 1991 the world news media began referring to the 13-year-old conflict in Afghanistan as the forgotten war. The Persian Gulf War claimed center stage during the first half of the year, but there were other factors which reduced the luster of the jihad (holy war) in this poor, backward, struggling country.

The United States has all but abandoned its efforts to settle the war through the mujaheddin rebel leadership. American aid for the rebels was reduced during the year and there were no funds in the administration's 1992 budget request for them. In September, the United States and the Soviet Union agreed to end arms shipments to both the rebels and the communist government in Kabul by January 1992. A joint statement also called for a cease-fire and urged other countries to stop supplying lethal aid to the warring sides.

Moscow wanted to put the Afghan conflict behind it because their aid shipments to President Mohammad Najibullah's government, to the tune of $3-5 billion annually, were a drain on the newly-established Commonwealth of Independent States. Moreover, Moscow seeks the return of Soviet prisoners of war who were captured before the Soviet military withdrew from the fighting two years ago.

While a final settlement of the war in Afghanistan did not happen in 1991, there was some progress toward a solution. In an October meeting in New York City, Soviet

foreign minister Boris Pankin told representatives of the mujaheddin that his country would no longer insist on a major role for Najibullah. By removing this long-time stumbling block, the Soviets hope to further a United Nations peace plan for Afghanistan.

The same divisiveness which prevented some seven rebel groups from achieving a military victory over the central government in Kabul is now interfering with the peace process. The strongest rebel group (led by Gulbuddin Hekmatyar) and another hard-line Islamic fundamentalist element both refused to take part in peace talks. Hekmatyar underscored his opposition to a transitional government that would include representatives from Kabul or would involve former King Zahir Shah. The Hekmatyar group also refused to cooperate on the Soviet POW issue and called on the other rebel groups to do likewise until both the Soviets and the Kabul government free their Afghan captives.

Even without Soviet support, Najibullah remained in charge in Kabul as the year ended. Installed by Moscow and responsible for the deaths of thousands, he somehow continues to survive. To win over potential peacemakers, he has renounced communism, pledged a commitment to pluralism and Islam and has relaxed controls on the press and on moderate dissidents. At the same time, Najibullah has effectively used Soviet military equipment against the rebels and has maintained control of both the government army and the secret police.

Military exchanges in the field between the Kabul government forces and the rebels continued. After almost 12 years of trying, the rebels finally seized the garrison city of Khost along with an estimated 6,000 government troops. For the first time in many years, rival rebel groups displayed some unity and stopped fighting each other.

The war continues into 1992 and is unlikely to end soon. In spite of the changing international scene and the good intentions of the United Nations, roots of the conflict run deep. Tribal, ethnic, religious and political issues all play a role in producing strange and shifting alliances.

Australia

Population: 17,288,000
Government: Federal parliamentary state
GDP: $254.4 billion
Per Capita Income: $14,900
Defense Expenditures: $7.6 billion
Armed Forces: Army—30,300; Navy—15,700; Air Force—22,300; Reserves—22,900
Total Regular Armed Forces: 68,300

For the first time in Australia's history, a prime minister has been ousted by his own party. In a 56-51 parliamentary vote on Dec. 19, former finance minister Paul Keating replaced Bob Hawke as leader of the ruling Australian Labor Party (ALP) and thereby became the nation's 25th prime minister.

As Australia's longest-serving prime minister, the flamboyant Hawke began his ninth year in office with a victory in the argument over participation in the Persian Gulf War. On Jan. 19 an estimated 15,000 protestors demanding an end to the war and immediate withdrawal of Australia's forces (two warships and one supply ship) marched on the New South Wales state parliament building.

Two days later, despite the public outcry, a sharply divided national parliament passed Hawke's resolution backing military support of the allied force and reaffirming an earlier endorsement of the United Nations resolutions condemning Iraq. Hawke received a much-needed endorsement of his own the following day with the release of a survey indicating that 69 percent of the public (up from 61 percent in August 1990) supported the presence of the Australian warships in the Persian Gulf.

Unfortunately for Hawke, public backing of his position on the war did little to shore up his popularity, which had declined along with the economy in recent months. Despite major economic reforms in the mid-1980s, Australia was among the first industrialized nations to show the effects of the worldwide recession, and Hawke seemed unable to stop the downward spiral. Paul Keating, loud in his criticism of Hawke's economic policies, prepared to step into the breach.

Although Hawke was able to withstand Keating's leadership challenge in June, the power struggle and subsequent reshuffling of the cabinet left the party deeply divided. ALP's 1991-92 annual budget, released Aug. 20, drew fire from cabinet members, state government officials and the public for its lack of strong measures to stimulate the faltering economy. Then it was announced that the gross domestic product had dropped 0.3 percent in the third quarter of 1991. That was primarily the result of a large run-down in stocks and reduced farm production due to drought in Queensland and New South Wales.

Still at odds with several of his ministers, Hawke shuffled his cabinet again in early December. Observers suggest that he further destabilized his administration by focusing his efforts more on retaining his position than on running the government and dealing firmly with the nation's economic woes.

Clearly, December's parliamentary vote could not be considered a popularity contest. Keating, long known as "The Undertaker" in a government much given to nicknames, has been characterized as a powerful and sometimes coarse and brutal speaker with an air of intellectual arrogance. But his serious demeanor and lack of rapport with the public in no way diminish the high regard in which he is held in financial circles. His lack of experience with international affairs has apparently been overshadowed by his widely acknowledged economic acumen.

As finance minister under Hawke, Keating supervised implementation of broad economic reforms, including deregulation of the Australian dollar in 1983 and the opening of the country to foreign banks in 1985. He instituted tax reforms and played a key role in developing and maintaining an accord system with the powerful Australian Council of Trade Unions. He says his first priority as prime minister is

to lower the unemployment rate, which at year's end stood at 10.5 percent—the highest level since the 1930s.

With only a little more than a year to make good on his promises, Keating would seem to be vulnerable to defeat in the March 1993 general election, but other observers think it unlikely that the opposition Liberal Party, in coalition with the National Party, will be able to produce a candidate of sufficient stature to topple the labor government.

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN—PEACE AT LAST?

With few exceptions the nations of Central America are in some degree of turmoil. Several of them appear dangerously close to ruin as they struggle with the aftermath of civil wars. Economically, much of the area is moribund as the new democracies and old autocracies try to cope with the transition to capitalism while strapped with the bureaucracies, subsidies and central controls that are the hangovers of discarded systems.

In its annual Comparative Survey of Freedom, the nonprofit human rights organization Freedom House lists only Belize, Honduras and Costa Rica as "free." The remaining nations of Central America are considered only "partly free." For the island nations of the Caribbean the survey lists Cuba and Haiti as "not free," the rest as "free." In this grouping, Mexico stands out as having achieved significant gains in 1991, primarily in the area of a more stable economy and a clear movement to a free-market environment. But, while the resurgence of Mexico's economy provides an example that the smaller nations of the area may wish to emulate, there is a need for political reforms to break the grip of one-party rule in our neighbor to the south.

Honduras is one of the bright spots where political and economic initiatives show promise of progress. Newly unburdened of territorial claims on behalf of Honduras and relieved of the continuing interest of Great Britain, Belize is now in the positive camp. Guatemala has shown improvement, but autocratic army control and continuing human rights problems make the outlook only tentatively positive.

Many of the Caribbean island-nations are economic and political crisis areas. Both Cuba and Haiti appear to be on a course of self-destruction; the Dominican Republic, Grenada and Trinidad-Tobago are in serious economic trouble; and in Jamaica incomes are falling, inflation is rampant (45 percent) and discontent is widespread. Despite this gloomy portent, all of Central America is not a disaster area. All the countries except Cuba and Haiti have in place democratically elected governments. And, except for Guatemala's simmering insurgency, peace prevails. It must be conceded, though, that even where governments are pursuing policies of privatization of state industries and removing tariff barriers, the fruits of the transition are often not apparent to those at the lower end of the economic spectrum. In that respect, the leaders of Central American nations are in the company of most of the leaders around the world as they face the immense challenge of keeping the people's patience in check long enough for democratic transition and economic stability to succeed.

Mexico

Population: 90,007,000
Government: Federal republic
GDP: $236 billion
Per Capita Income: $2,680
Defense Expenditures: $678.4 million
Armed Forces: Army—130,000; Navy—37,000; Air Force—8,000; Paramilitary—14,000; Reserves—300,000 all services
Total Regular Armed Forces: 175,000

President Carlos Salinas de Gortari had a successful year consolidating the programs and policies of the Mexican government in 1991. The most satisfying developments were the U.S. Congress' acquiescence to a fast-track free-trade agreement in May, the reelection of Institutional Revolutionary Party majorities in the Senate and Chamber of Deputies in August and, very importantly, economic successes which included reduced inflation, a four percent growth in the GNP and a flood of foreign investment dollars.

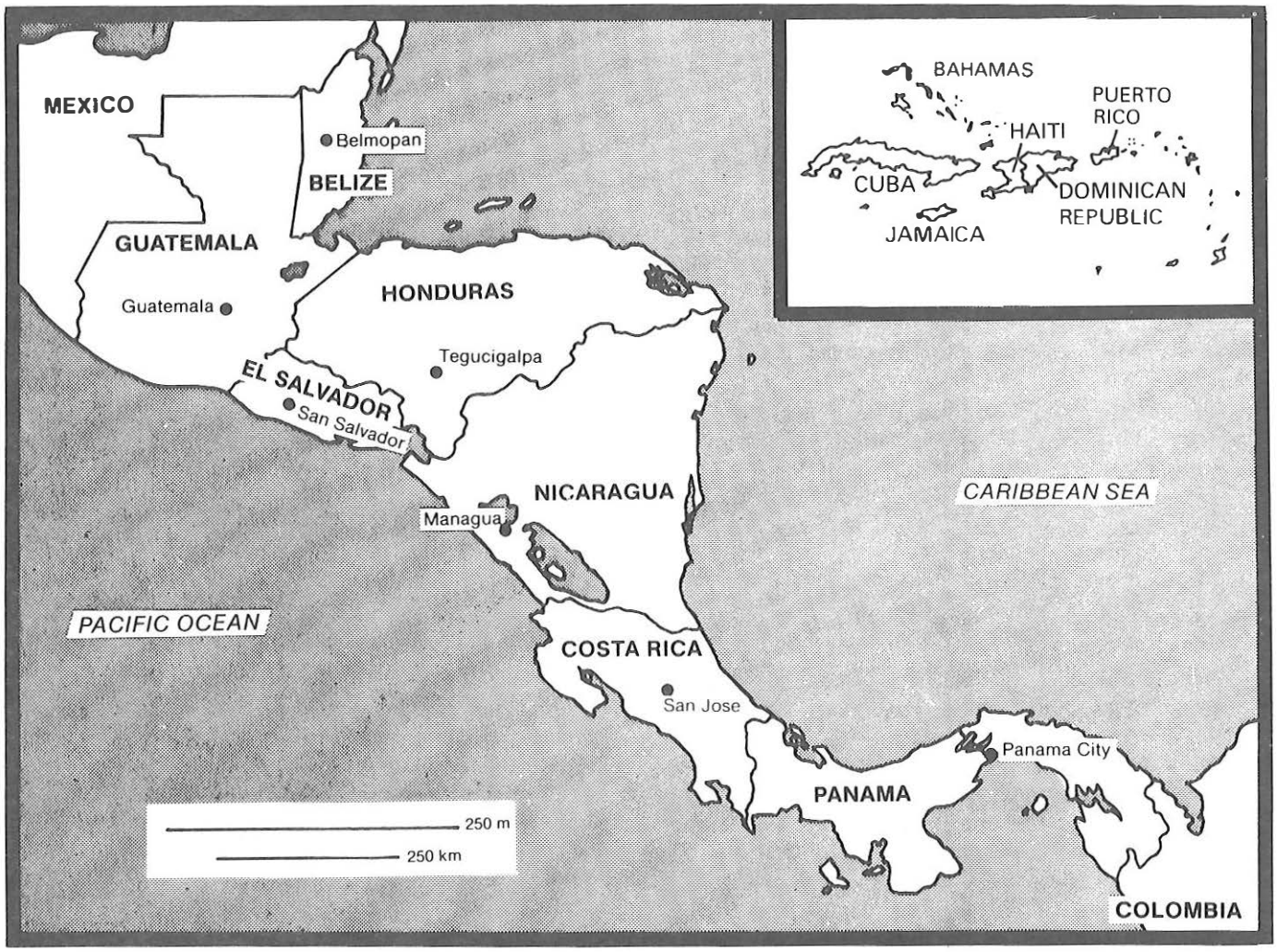
Each of these developments alone would have signaled progress for the year. That all three occurred makes Mexico conspicuous as an island of promise in a world of economic woes. Salinas' government seems to have solidified its hold on the electorate, principally because of the "solidarity program" through which government largesse is dispensed widely in building wells, health clinics, housing and other low-cost but popular projects.

The recent improvements in the Mexican economy have primarily benefitted the upper strata of society as well as some lucky entrepreneurs, but it was duly noted by the poor and has created an optimism among them that has been absent for generations. Being a pragmatic people, most Mexicans are appreciative of government programs to provide a greater return for the efforts of farmers. Nor did the surprise government seizure of the port of Vera Cruz—after a lifetime of entrenched union control—go entirely unnoticed.

One leading indicator of progress in Mexico's move to a free-market economy is the slowly expanding program to release state-controlled industry to private and foreign investment. Another is the increased attention by the government to counter the international drug traffic which has long found the Mexico-U.S. border an attractive transshipment area. Also noted is the fading power of leftists in the government, in farm and labor circles, and in society in general.

Each of these reform measures has helped raise Salinas' stature in the view of official Washington and has made Mexico the chief beneficiary of President Bush's hemispheric free-trade incentive. The economic improvements made by Salinas have so far been good for the Mexican people. However, they could easily cause the demise of

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN



Mexico's one-party rule since open economic systems normally increase the pressure for open democracy.

Guatemala

Population: 9,266,000
Government: Republic
GDP: $11.1 billion
Per Capita Income: $1,180
Defense Expenditures: $11.8 million
Armed Forces: Army—37,000; Navy—1,200; Air Force—1,400; Paramilitary—612,800; Reserves—4,700 all services
Total Regular Armed Forces: 39,600

President Jorge Serrano Elias has surprised many people with his proactive efforts across the wide spectrum of Guatemalan problems. When he took office in January, in the first-ever Guatemalan peaceful transition of power from one civilian to another, he inherited a daunting array of crises and unresolved issues. Under Serrano's predecessor, food prices had climbed 500 percent, inflation hovered around 75 percent, and the deficit was the highest in history. The new president also had to contend with a 30-year-old guerrilla war, a booming drug trade, rampant crime, a vicious human rights record and a corrupt government dominated by a strong-arm military.

In one year, the president has brought inflation down to 10 percent, the lowest in Central America. He has engaged in talks with the guerrillas that offer some promise of peace in the early months of 1992, and his recognition of Belize's independence has all but eliminated Guatemala's territorial claims on its neighbor.

As with many other Latin American countries, the basis of rule in Guatemala is power, not law. Here the army is still the predominant power, exercising great influence in

the guerrilla war and in control of the countryside. However, for the first time the president has been able to punish some for human rights violations, thus gaining credibility among thousands of Guatemalan refugees who have migrated to Mexico. Skepticism regarding civil rights progress remains strong in the watchtowers of the human rights movement and in the U.S. Congress, which cut off military aid when an American citizen living in Guatemala was murdered.

At year's end, many of the country's daunting problems remain. Abject poverty persists, army control is unchecked, political killings and intimidation continue, and the incursions of the Colombian drug cartels have not been stymied. Nevertheless, the actions of President Serrano provide the best hope for progress in the resolution of these problems. He has developed some firm support, both internally and externally, and this should aid in improving the lot of the Guatemalan people.

El Salvador

Population: 5,418,000
Government: Republic
GDP: $5.1 billion
Per Capita Income: $940
Defense Expenditures: $143.9 million
Armed Forces: Army—40,000; Navy—1,200; Air Force—2,400; Paramilitary—32,000
Total Regular Armed Forces: 43,600

On the last day of 1991, after two years of on-again/off-again negotiations, the government of Alfredo Christiani reached an agreement with the guerrillas of the Farabundo Marti National Liberation Front (FMLN) that would end El Salvador's 12-year-old civil war. Three primary factors helped bring an end to the bitter conflict in which 75,000 people died: a military stalemate, weakened outside support for the war effort and the growing strength of moderate elements in the country.

Support from the United States for the government of El Salvador has been conditional. The atrocious human rights abuses of the army often made it difficult for the American Congress to approve more than minimum aid. As late as January 1991, Congress voted to withhold half the administration's $85 million aid request for this reason. However, President Bush decided in June to release those funds based on concerns that the rebels were preparing a new military offensive. Concurrently, FMLN funding and military support waned with the electoral defeat of the Sandinista regime in neighboring Nicaragua and with the changes in Eastern Europe and the Soviet Union.

In March, Salvadorans went to the polls for the sixth election in 12 years. This time the voters elected a legislature that was thought to be more fairly representative of El Salvador's moderate populace. President Christiani's rightist National Republican Alliance (ARENA) lost its absolute majority when it won only 39 of 84 seats (46.4 percent of the vote). The Christian Democratic Party took 26 seats, the National Conciliation Party (politically aligned with ARENA) took nine seats and the Democratic Convergence coalition won eight. Two remaining seats went to the Authentic Christian Movement and the communists.

Military operations continued through the year while negotiators attempted to develop an agreement acceptable to both sides. With the personal intervention of U.N. Secretary General Javier Perez de Cuellar and pressure from Salvadorans sick of war, the government and the guerrillas signed a major security agreement in late September that removed the final barriers to a truce. That agreement contained assurances of guerrilla participation in the postwar government and covered a broad range of security and economic issues. The government also pledged to purge the army of corruption and brutality.

After that, things moved faster. FMLN declared a unilateral cease-fire on Nov. 14; government officials and rebel representatives met separately with U.N. mediators in New York beginning Dec. 16; Perez de Cuellar presided over the first face-to-face meetings beginning Dec. 23; Christiani joined them in New York on Dec. 29; and a peace agreement was reached on Dec. 31, 1991.

With a cease-fire set for Feb. 1, 1992 (it was signed in Mexico City on Jan. 16), the people of El Salvador can look to the future with greater optimism than at any time in the last 12 years. The Christiani government has made impressive strides in improving stability and is firmly committed to assuring the peace. An international tribunal will investigate human rights violations on both sides, and a new National Civil Police force will relieve the military of all police functions. With that, the government can now turn its attention to much-needed development. Considering the progress made in security in 1991, the prospects for improvement in other areas would now appear hopeful.

Nicaragua

Population: 3,751,000
Government: Republic
GDP: $1.7 billion
Per Capita Income: $470
Defense Expenditures: $78.6 million
Armed Forces: Army—27,000; Navy—1,500; Air Force—2,000; Paramilitary—14,000
Total Regular Armed Forces: 30,500

Two years into its democratic revolution, Nicaragua continues to fester. The government of President Violeta Chamorro and her National Liberation Union is becoming increasingly less popular. The exercise of power by the electorally-defeated Sandinistas is unchecked as they retain control of the armed forces, the police, the judiciary and the bureaucracy. The economy remains in the doldrums. Foreign capital investors are scarce and remain both wary and unconvinced of future prospects. And there are rumblings in the countryside regarding a possible rearming of the anti-Sandinista Contras.

The United States continues to support the Chamorro

government and accepts the general appraisal that the overall economy is Nicaragua's greatest single problem. Other qualified observers contend that continued Sandinista control of the centers of power is the gravest issue and the main reason that economic problems are not being solved.

The extent of that Sandinista power is demonstrated continually as a reminder to the people and as a warning to the opposition. While the president herself has not been the subject of direct attack or harassment, her supporters are not immune. The conservative mayor of Managua had his office wrecked by Sandinistas, and two radio stations were destroyed because of their opposition to the Ortegas (the former Sandinista president, Daniel, and his brother Humberto, who still commands the army). Illegal strikes stymied sugar production last year, but the police arrested victims rather than perpetrators. Other violent confrontations occurred when democratic labor unions and political parties were prevented from challenging the entrenched bureaucracy. Also, resettled Contras have been subjected to harassment and intimidation by the army and the police.

The Chamorro government has failed to wrest control from the Sandinista hierarchy and apparently chooses not to challenge it. The Sandinistas, on the other hand, give every indication of consolidating their power while planning to recapture the government in the scheduled 1996 election.

In effect, the foundering government ended its second year with no problems solved, no promise of future improvement and no indication of the ultimate course the nation will take.

Panama

Population: 2,476,000
Government: Centralized republic
GDP: $4.8 billion
Per Capita Income: $1,980
Defense Expenditures: $75 million
Armed Forces: National Police Force—11,000; National Maritime Service—300; National Air Service—350
Total Public Forces: 11,650

The optimism and euphoria that followed the liberation of Panama two years ago have long since dissipated, overshadowed by the new government's inability to improve the stagnant economy or to produce any meaningful social or political reforms. Drug trafficking, money laundering and their related criminal activities are reported to be on the increase. And, finally, serious doubts are being raised as to the ability of the Panamanians to maintain and operate the Panama Canal, let alone guarantee the security of that vital waterway between the Atlantic and Pacific Oceans.

There have been some modest improvements in Panamanian life since the United States launched Operation Just Cause and deposed strongman-dictator Gen. Manuel Noriega. The unemployment rate has been reduced, but only slightly. Business has improved in the construction industry and some external interest in investing has developed. Also, the legislature has approved antidrug laws with some teeth to them. (Enforcing them is another matter.) Offsetting these minor but positive steps is the fact that efforts toward privatization of the many state-owned enterprises have been stalled by labor and by the bureaucracy; tourists have not yet returned; and the operating facilities of the canal are deteriorating.

The management and protection of the 51-mile Panama Canal has raised concerns among international maritime officials over the past several years. The canal railroads and ports of this important trade link between Latin America, the United States, Asia and Europe have been in Panamanian hands for ten years and are in an advanced stage of decay. Fears that neglect and mismanagement will lead to the canal's closing have prompted a number of proposals for renegotiation of the 1977 Torrijos-Carter Treaties (which cede the canal to Panama by the year 2000). In the U.S. Congress, proposals have ranged from total abrogation to the latest motion, which seeks to guarantee a permanent U.S. troop presence to oversee maintenance, operation and security of the canal.

The biggest problem in Panama today is the same one that brought down the Noriega regime—narcotics smuggling. Amid denials in Washington and Panama City, there is ample evidence—uncovered by the U.S. Drug Enforcement Agency, the General Accounting Office and the American and Panamanian media—that drug trafficking and money laundering in Panama are as bad as they were when Noriega was indicted. Drug smugglers who use Panama as a way station for the movement of large amounts of cocaine to the lucrative markets in the United States and Europe operate openly in Panamanian waters, and Panama City has become the Colombian cartel operators' banking center of choice. This very problem which brought down the previous government could also have serious consequences for the present one.

Cuba

Population: 10,732,000
Government: Communist state
GNP: $20.9 billion
Per Capita Income: $2,000
Defense Expenditures: $1.8 billion
Armed Forces: Army—145,000; Navy—13,500; Air Force—22,000; Paramilitary—1,469,000; Reserves—135,000 Ready Reserves all services
Total Regular Armed Forces: 180,500

Nowhere in the Western Hemisphere has the collapse of Eastern European and Soviet communism had greater impact than in Fidel Castro's Cuba. Only two years ago, 86 percent of Cuba's trade was with the communist bloc. Estimates of Soviet subsidies to Havana range from $3.5 billion to $5 billion. As late as September 1991, more than 15,000 Soviet troops provided security for the Castro government. But the collapse of the Soviet Union and the anticipated economic difficulties of the republics have put a

stop to all that. Even the bulk of the troops have been ordered to withdraw from Cuba.

Abandoned by its former trading partners and deprived of the largesse from its principle benefactor, Cuba teeters on the brink of economic disaster. The economy has never been stable and was thus completely unprepared for the shock when Castro was informed by Gorbachev and then by Yeltsin that they would no longer pay artificially high prices for Cuban sugar and other commodities. At the same time, Castro was told that payment for the 10-12 million tons of Russian oil sold to Cuba would be made at market prices and in hard currency.

By the end of 1991, Cubans were finding it extremely difficult to feed, clothe and house themselves. Oil supplies declined 20-30 percent during the year, and bicycles and ox-carts substituted as the principal means of transportation for the masses. Ten thousand tractors and three thousand busses now stand idle and rusting for want of fuel and spare parts. Current calculations indicate a 10 percent contraction of the economy for 1991, on top of five percent in 1990.

The added hardship of trying to exist in this economically inefficient and politically inflexible state has swelled the flow of defectors and refugees, but it has also changed the character and content of the exodus. More and more prominent people—military leaders, artists, engineers, athletes, pilots, scientists, musicians—are abandoning their privileged positions to become a significant segment of the refugee population. The number of boat people escaping to Florida last year was higher than in any period since the 1980 Mariel boatlift.

Those Cubans who choose not to flee must continue to exist in an economic morass. The 30-year-old embargo imposed by the United States remains in place. Barring massive infusions of foreign aid, conditions in Cuba can only worsen. And, as the economy continues to deteriorate, political life in Cuba is becoming daily less bearable. Castro has been adamant in cracking down on democratic dissidents, especially after seeing what openness and reform did to the controlled economies and Marxist regimes in Eastern Europe and the former Soviet Union. So long as he continues to jail people for what they say, and so long as he continues to adhere to the outmoded principles of socialism, Castro will have to endure the isolation and pressure imposed by much of the rest of the world. How long the Cuban people will be willing to exist on a diet of sunshine and sacrifice is another question entirely.

Haiti

Population: 6,286,000
Government: Republic
GDP: $2.7 billion
Per Capita Income: $440
Defense Expenditures: $16.9 million
Armed Forces: Army—7,000; Navy—250; Air Force—150; Reserves—60,000 all services
Total Regular Armed Forces: 7,400

Given Haiti's violent past, it was no surprise when the only democratically elected president in the nation's history, Jean-Bertrand Aristide, was overthrown in a September coup d'etat. The military junta that ousted Aristide after only eight months in office was led by Brig. Gen. Raoul Cedras, an Aristide appointee. Cedras' explanation for taking over was to quell a mutiny in the ranks of the army. It was later determined that elements of the army had, in fact, objected to the president's assumption of what they saw as dictatorial trappings. They also accused Aristide of arranging the execution of Roger Lafontant, a former leader of the hated Tontons Macoutes, who had been jailed for a coup attempt in January.

Wealthy Haitians and the bourgeoisie, particularly the entrepreneurial class, were quick to support the coup. In the few months Aristide was Haiti's leader, he had built up a fear of arbitrary arrest among the opposition, especially when he jailed former President Ertha Pascal-Trouillot on unsubstantiated charges. His sweeping purges of the army top command helped weaken his position with Haiti's only real source of power. Finally, a string of decrees prescribing socialist solutions to the redistribution of wealth and the manner by which he took over the economy did little to maintain the confidence of the people who had supported his election.

After the coup, President Bush immediately halted all U.S. aid to Haiti, planned to be $85 million in 1991 and $90 million in 1992. The European Community followed suit, suspending a $148 million aid package, and France, Germany and Canada halted bilateral programs totaling about $77 million.

The question of what action would be required to reverse the overthrow of the elected government was put to the Organization of American States. At an emergency session in Washington, the OAS resolved to cut off all economic, military, commercial and trade relations with Haiti until the rightful government was restored to power. These sanctions have had a severe impact on the poorest country in the Western Hemisphere, where 60 percent of the population of six million are unemployed.

Since the coup, life in Haiti has gone from bad to worse. Amnesty International estimated 1,500 killings in the last three months of 1991, mostly as the result of military and police attacks but including a resurgence of the notorious Tontons Macoutes. Military leaders have profited from black-market fuel deals while the people strip the land of precious mango and mahogany trees for cooking fires. The closing of 160 assembly plants has idled another 120,000 Haitians and the estimated $300 million that is contributed annually by Haitian relatives living in the United States has been cut off by the embargo, which includes mail.

The deterioration of life in Haiti has resulted in the hurried exit of an estimated 65,000 people. More than 15,000 made their way to the U.S. Navy base at Guantanamo Bay, Cuba, where they languished while the administration and the courts in Washington dickered over their status. Those ruled to be former political prisoners or in "imminent danger" of persecution will be admitted to the United States.

The rest are being forcibly returned to a homeland that has known no peace and no prosperity for most of this century, and which offers no promise for the future.

SOUTH AMERICA—CREEPING TOWARD DEMOCRACY

Most leaders of the fledgling South American democracies are forced to channel all their energies toward coping with the dual challenges of nursing their newly-democratic governments to maturity while simultaneously overcoming the economic doldrums they inherited. Quite a few of them, particularly those inhabiting the Andean region, are confronted with the corruption and violence that invariably accompany the narcotics trade. Only two, Colombia and Peru, are presently engaged in armed conflict against hostile forces from within their own national boundaries.

In general, our review of the economic conditions in South America gives us cause for a degree of optimism in that the decade-old cycle of recession and inflation seems to be giving way to a new-found confidence that the worst may be over. Credit for this improved economic stance is shared equally between those national leaders whose foresight enabled their nations to become more competitive internationally and the millions of people who were forced to endure very low living standards during the belt-tightening period.

With only a few exceptions, the current class of South American leaders inherited stagnant, inflation-riddled economies that had long been mismanaged by whatever force happened to be in power. The successful efforts of most in overcoming these conditions is reflected in the confidence shown by populations long used to expressing their dissatisfaction in the streets. That is not to imply that all of South America is now out of the economic woods, a fact that will be all too clear in some of the ensuing paragraphs.

The fact that many of these leaders were able to reform shattered economies (at least to some extent) while engaged in all-out war with narcoterrorists makes whatever successes they have achieved all the more laudable. Just as they have made progress in overcoming the destabilizing spectre of debt, it is hoped that the leaders of the nations to our south will prove to be equally adept at stamping out the scourge of narcotics trafficking.

Colombia

Population: 33,777,000
Government: Republic
GDP: $43 billion
Per Capita Income: $1,300
Defense Expenditures: $904.1 million
Armed Forces: Army—115,000; Navy—12,000; Air Force—7,000; Paramilitary—81,500; Reserves—116,900 all services
Total Regular Armed Forces: 134,000

Cesar Gaviria Trujillo, at 43, became the youngest president in Colombia's history when he took the oath on Aug. 7, 1990. In his inaugural address the new president explicitly laid out his administration's three principal aims. The first was to achieve peace on four fronts: guerrillas, narcoterrorists, armed self-defense groups and paramilitary forces. His second stated goal was the reform of Colombia's antiquated political system; the third was the rejuvenation of an ailing economy.

Gaviria's search for peace in violence-torn Colombia was abetted even before he was elected when one of the principal guerrilla factions, the leftist M-19 group, opted to lay down their arms and participate in the political process. In early March 1991, another group, the 2,000-strong Popular Liberation Army laid down their weapons and were granted amnesty and two seats in the new National Assembly. That leaves the 3,000-man National Liberation Army (ELN) and the 7,000 combatants of the Revolutionary Armed Forces of Colombia (FARC) as the only remaining Cuba-inspired revolutionary groups in all Latin America. (Peru's Shining Path guerrillas are still the strongest insurgent group in South America, but, being Maoist in nature, are not of the old Cuban-Soviet school.) Both ELN and FARC have entered into peace negotiations with the government during 1991, only to see the talks break off over accusations of bad faith on all sides.

The battle against narcoterrorism—Gaviria makes a clear distinction between that and narcotrafficking—continued to be an up and down struggle as it has for several decades. The mid-year "surrender" of Medellin cartel chief Pablo Escobar dealt a stunning blow to the organization that once owned the narcotics trade. Escobar's acceptance of Gaviria's offer of a shorter prison term and a guarantee that he would not be extradited to the United States seems to have taken some of the heat out of the drug war. Yet while Escobar languishes in his plush, private prison surrounded by hand-picked guards, the drug slack has been picked up by the rival Cali cartel, which now produces 70 percent of the cocaine reaching U.S. streets and 90 percent of that sold in Europe. By shattering the Medellin cartel's power, the government has emerged victorious in its long and vicious battle with that arm of narcoterrorism, only to see the "quiet cartel," Cali, take up the business. Cali operates the trade in much gentler fashion, employing all the public relations tricks known. That augurs fairly well with the thousands of people who reap the profits from the illicit drug trade, but it doesn't set too well with those officials, in Colombia and abroad, whose aim is to quash the drug trade.

Measures to achieve Gaviria's second goal, political reform, centered on the newly-elected constituent assembly's rewrite of Colombia's ancient constitution. On July 4, their deadline, the assembly announced the completion of their work. The 397 articles of the new constitution offer a role in the political process to those who formerly had expressed their political views with an AK-47. It also reforms the electoral and judicial systems, provides for congressional checks of executive power, dissolves the present congress and replaces it with one elected in October. The provision

SOUTH AMERICA

banning extradition of suspected criminals may take the heat off the drug violence, but it will not make the job of shutting down the trade any easier.

In the October elections, Gaviria's Liberal Party won a majority by taking 57 of the 102 Senate seats, 86 of 161 Chamber of Deputies seats and 15 of 27 state governorships. With the backing of the majority, the new president may be in a better position to make needed improvements in economic reform. As it is, inflation now stands at 30 percent, and economic growth for 1991 is not expected to be much more than 1.5 percent. That in a nation which, with its potential oil, gas, coal and coffee exports, is capable of much higher noninflationary growth.

Venezuela

Population: 20,189,000
Government: Republic
GDP: $42.4 billion
Per Capita Income: $2,150
Defense Expenditures: $1.6 billion
Armed Forces: Army—34,000; Navy—11,000; Air Force—7,000; National Guard—23,000
Total Regular Armed Forces: 75,000

The economic shock treatment implemented by President Carlos Andres Perez since 1989 has done little to gain public appreciation or to raise the standard of living for middle-class Venezuelans. If anything, the imposition of severe austerity programs has greatly antagonized the activist elements, leading to violent protests and even speculation about a military takeover in one of Latin America's wealthiest and most stable democracies.

The necessity to obtain the backing of the International Monetary Fund and the World Bank to clear up a mounting foreign debt (much of it incurred during his previous term of office in 1974-1979) puts Perez on the same track as most Latin leaders. The element of price controls, the removal of government subsidies, privatization of inefficient state-owned enterprises, and increased interest rates are at the root of the crisis, in the view of Caracas economists.

Conversely, the president seems convinced that his programs are the wave of the future and that the recent upsurge of foreign investment, prompted by his liberation of the economy, is already paying off. In this case, it is hard to argue with the facts. The economic growth for 1991 is expected to be about six or seven percent, up from 5.6 percent last year. Annual inflation that ran at more than 100 percent in mid-1989 is expected to drop to less than 30 percent this year.

When he was president in the mid-1970s, Perez ousted the foreign oil companies. Now his free-trade policies have him trying to woo them back. (Venezuela now produces 2.5 million barrels of oil per day.) To do that he must convince foreign oil interests that Venezuela offers not only fewer political risks but also bigger economic rewards than other oil-producing nations. Popular dissatisfaction with his economic austerity measures is not making his job any easier.

In recent months, Venezuelans have come to know another cause for alarm. Colombian drug cartels have made the coastal city of Maracaibo and the unguarded Colombia-Venezuela border one of the most important corridors for shipping drugs to the United States and Europe and for smuggling arms to South American guerrillas and terrorists. Until recently, Venezuela was fairly well insulated from the trafficking and related violence that plagued Colombia. Now Colombian drug lords—mainly the Cali cartel—are buying land, banks and businesses in Venezuela to be used for drug shipping, money laundering and arms trafficking.

Venezuela's lack of financial laws makes it difficult to crack down on the business end of the drug trade, but authorities in Caracas are cooperating with U.S. courts to freeze bank accounts of suspected traffickers and money launderers. On Nov. 9, 1991, the governments of Venezuela and the United States signed a mutual maritime counternarcotics agreement to facilitate the identification and interdiction of drug-trafficking vessels on the high seas. This is the first reciprocal agreement of such nature concluded by the United States with any country.

The destabilizing influence of the drug cartels, the ever-near potential for civil riots and the possibility, however real or imagined, of a military coup are all matters that should cause Perez to keep a constant watch over his shoulder for the remaining two and a half years of his presidency.

Brazil

Population: 155,356,000
Government: Federal republic
GDP: $388 billion
Per Capita Income: $2,540
Defense Expenditures: $1 billion
Armed Forces: Army—196,000; Navy—50,000; Air Force—50,700; Paramilitary—243,000; Reserves—1,115,000 trained first line, 225,000 second line
Total Regular Armed Forces: 296,700

The sea of optimism which swept Fernando Collor de Mello into the Brazilian presidency with nearly 26 million votes in March 1990 is now almost completely dry. A Gallup poll showed the percentage of respondents who rated Collor's economic policies good or excellent had plummeted from 88 percent in April 1990 to 22 percent in October 1991. In the same period, the president's personal rating fell from a high of 70 percent to 18 percent. The reason for this dramatic decline in Collor's—and Brazil's—fortune is inflation.

As is the case with so many other Latin countries, inflation is not new to Brazilians; they have lived with it for the better part of 300 years. In this case, though, Collor became Brazil's first directly-elected president in three decades on a promise to make the nation a first-rate power with free-market policies leading to lower inflation and high growth. That was a promise he has been unable to keep, owing to a rebellious congress which refuses constitutional reforms that would help reduce the huge budget deficit.

Brazil remains the major exception to Latin America's economic renewal despite Collor's concerted effort to impose more and more controls in the hope of reining in prices. He has imposed two major economic "shock treatments" in so many years, but neither has worked. He has been unable to stem the tide of eight years of hyperinflation that causes Brazilian currency to lose one percent of its value daily. Efforts to privatize have, for the most part, been fruitless. The October 1991 monthly inflation rate of 25 percent has caused leading economists to conclude that Brazil will finish the year as the only nation in Latin America with a rising triple-digit annual inflation rate.

When the government announced figures last summer that showed a 20 percent drop in salaries over the past two years, street vendors and the unemployed took to the streets in violent protests and looting. Brazil's top military officers launched an unusual public relations campaign demanding better salaries for their troops.

Probably the most visible evidence that Brazilians are undergoing a crisis of self-esteem can be found in the long lines of potential emigrants outside the United States, Japanese and West European consulates. During the 1950s, 590,000 people moved to Brazil. In the 1980s, 630,000 Brazilians left.

On the whole, many Brazilians are showing signs of increasing restlessness over the curse of inflation that has so degraded their living conditions. Unless Collor can offer them a forceful strategy to slow the price spiral, they may, in their desperation, again take to the streets. Should great riots break out, it would seriously impair Collor's chances of finishing out the remaining five years of his term. On the other hand, there's the possibility that the military would be called in to restore order. That has happened here before.

Peru

Population: 22,361,000
Government: Republic
GDP: $19.3 billion
Per Capita Income: $898
Defense Expenditures: $641.9 million
Armed Forces: Army—72,000; Navy—18,000; Air Force—15,000; Paramilitary—70,600; Reserves—188,000 army only
Total Regular Armed Forces: 105,000

Peruvian President Alberto Fujimori, in his first year and a half in office, has been confronted by some of the most distressing conditions in any nation in the Western Hemisphere. The economy is a disaster; the Maoist-inspired guerrilla war is entering its second decade; the illegal drug trade flourishes; a "second front" insurgent group concentrates on urban war; and now, Peruvians by the thousands have fallen victim to the worst cholera epidemic in more than 100 years.

In order to tame the maelstrom of inflation and poverty that he inherited from his predecessor, Alan Garcia Perez, the new president aims to dismantle Peru's protectionist and statist economic policies and transform the nation into a haven for investors, on the order of some of the economic tigers of Southeast Asia. To secure needed financial backing, he is heeding the advice of International Monetary Fund and World Bank mentors. In November alone, he issued over 100 economically liberal decrees which Congress, where he commands no majority, was forced to accept. Such politically repressive measures did not immediately endear him to the public or the politicians, but Fujimori sees them as the only path to economic recovery for his embattled nation.

It may be difficult to see much hope in the midst of all Peru's despair, but President Fujimori has made recent gains on several fronts. The official inflation rate for September was 5.6 percent, lowest in 50 months; after a thorough housecleaning, the tax inspectorate is now bringing in more than $300 million a month; and Fujimori persuaded the president of the United States to restore all but $7 million of the $94 million in antidrug funds that the U.S. had threatened to withhold over charges that Peruvian army and security forces were taking bribes to protect cocaine traffickers.

Mr. Fujimori has made little progress in the fight against the violent guerrilla war that has plagued Peru since 1980. In those 11 years, about 23,000 Peruvians have died in the violence created by 5,000-6,000 armed communists of the Maoist Shining Path. And just as the government was beginning to make inroads against the terrorist group, a second insurgency has arisen, this one targeted mainly against American and other foreign establishments. Calling itself the Tupac Amaru Revolutionary Movement, this new group has reported ties to Cuba and includes people who fought on the Sandinista side in Nicaragua during the 1970s.

Faced with fighting guerrilla war on two fronts, Fujimori has requested U.S. Army Special Forces instructors to help train his army in antiguerrilla tactics. The Americans work directly with the Peruvian military in their fight against Shining Path. The rebels, whose primary goal is the violent overthrow of Lima's existing government, are also heavily engaged in cocaine trafficking; in the last few years, they are believed to have made $40 million themselves. Peru's civilian government has also granted broad powers to the military to combat guerrilla terrorism. That includes the power to seize private property and to draft individuals for the war effort. Giving these and other sweeping powers to the Peruvian military has won little sympathy among a peasant population that for years has been victimized by both combatants in the war. If not killed or impressed into service by the rebels, they have too-frequently been killed, tortured or made to "disappear" by government forces frustrated in their ineffectiveness at eliminating the rebel scourge.

Until now, Peru's presidents have maintained that the best way to defeat Shining Path is through economic development. Fujimori appears to be awakening to the realization that there just isn't enough money in the world to end Peru's profound rural poverty. Nor will there ever be enough crop-substitution money to compete with the horrendous drug profits.

At present there is little expectation that the guerrillas will actually topple the government forces or that the government will soon emerge victorious. There are those who view Peru as dangling on the brink of social dissolution. Peru may have a functioning democracy with broad participation by nearly everyone, but it is also engaged in a desperate guerrilla war in which the government is represented by an often brutal army. The rural peasants are unable to feed themselves short of growing the coca leaf from which cocaine is derived. The violence and corruption attendant to the illicit drug trade cast a pall of fear across the entire nation. The deplorable conditions which spawned the worst cholera epidemic since the 1880s are nowhere near resolution. Security analyst Enrique Obando likens Peru's future to that of Lebanon, "a country so factionalized that no group is able to dominate the entire territory."

Bolivia

Population: 7,156,000
Government: Republic
GDP: $4.9 billion
Per Capita Income: $690
Defense Expenditures: $179.5 million
Armed Forces: Army—23,000; Navy—4,000; Air Force—4,000; Paramilitary—13,850
Total Regular Armed Forces: 31,000

President Jaime Paz Zamora had made laudable gains in redressing Bolivia's astronomical inflation rate by closely adhering to the more financially orthodox policies of his predecessor, Victor Paz Estenssoro. Before these two, the practice in La Paz had been to simply print as much money as was needed to cover its revenues. That practice resulted in an inflation rate that often exceeded 24,000 percent. For the past three years the rate has remained between 10 and 12 percent, and Bolivia's annual growth rate has shown a respectable 2.8 percent. That's not too bad for what is considered one of the poorest countries on the continent.

Yet, while Bolivia has shown promise in getting its economic affairs in order, success in its other major battle—the war against illicit drugs—has been more elusive. The Chapare region of central Bolivia is one of the largest coca-producing areas in the world. Previously the area was solely a supplier of the raw materials of cocaine, but today local conversion of coca leaf to paste and then to base has made Bolivia second only to Colombia in cocaine production.

Growing coca leaf is not illegal in Bolivia; only transporting it without a permit or using it for cocaine is. Therein lies one of the government's major problems in the eradication of the drug scourge. More than 300,000 campesinos derive a living from the legal cultivation of coca. The government is unable to match the high prices paid for their harvest by the international drug cartels. Nor is there sufficient funding to induce the growers to substitute other crops for coca.

The campesinos are also reluctant to cooperate with other government programs, recalling the abuses visited upon them by previous military governments as recently as 1980-81. Their fear of the loss of their livelihood and their dislike of a corruptible government were in no way assuaged by the March 1991 appointment of Col. Faustino Rico Toro as commander of the antinarcotics forces. Rico Toro was accused by the U.S. embassy in La Paz of being a drug trafficker himself, and his appointment astounded even the most jaded officials. The resulting political uproar in Bolivia and the outrage in Washington resulted in the resignation of Rico Toro as well as that of the minister of the interior and the chief of the national police. Other corrupt officials are being sought out, but that is not a fight that will be won quickly.

In recent months there have been a number of encouraging initiatives on the part of the Paz Zamora government that would serve as indicators of progress in the drug war. Eight thousand hectares of coca were eradicated last year. The notorious "Meco" Dominguez trafficking network was dismantled and Dominguez and a number of his closest associates were arrested.

The government of Bolivia continues to face major challenges in its counternarcotics campaign. While the government has increased law enforcement efforts, trafficking organizations have kept pace by diversifying their marketing of refined cocaine and by demonstrating a greater willingness to use violence to resist law enforcement efforts. Widespread corruption, compounded by the Bolivian government's weakness in implementing policy, further combined to hamper the effectiveness of counternarcotics programs in 1991.

Argentina

Population: 32,663,000
Government: Republic
GNP: $82.7 billion
Per Capita Income: $2,560
Defense Expenditures: $771 million
Armed Forces: Army—45,000; Navy—25,000; Air Force—13,000; Paramilitary—28,000; Reserves—377,000 all services
Total Regular Armed Forces: 83,000

As is the case with most of its Latin American neighbors, the greatest threat to Argentine national security comes not from armed camps beyond its borders but from the challenge of the worst economic crisis of the century. In the case of Argentina, however, there is the additional threat that if things don't go their way, the military is always ready to take over.

Fortunately, the economic reforms of President Carlos Saul Menem—in office since July 1989—show enough promise to at least temporarily placate the generals. When Menem replaced Raul Alfonsin in Argentina's first peaceful transition of power in 60 years, he inherited a negative growth rate of minus 4.4 percent. In 1990, he brought this down to a minus 0.5 percent rate, and the figures for the

first six months of 1991 (the latest available) indicate Argentina will enjoy positive growth of about three percent in the year of this report.

During this same period, Menem's efforts to provide a stable currency, to crack down on tax evaders, and to stop printing money to cover the huge national deficit have helped in greatly reducing inflation. The Inter-American Development Bank reported Argentina's 1989 inflation at a whopping 3,079 percent; in 1990, it was 26 percent. Most of the credit for this belongs to Menem, who, by deregulating the economy, has reversed many decades of protection for Argentine industries.

In addition to stringent budget cutting and some highly unpopular privatization measures (two major elements of Menem's economic stabilization plan), Argentines were subjected to a deep recession and steeply rising unemployment, both of which contributed to widespread social distress.

Despite all this, neither the people nor the armed forces have displayed any serious bent toward Menem's ouster. What amazes many is the fact that Menem came to power as the representative of the Peronista Party, long known for its advocacy of highly nationalistic, isolationist policies. To the contrary, Menem is moving the nation ahead on the road to recovery by stubbornly enforcing liberal economic programs which are the antithesis of nearly everything a good Peronista should espouse.

On a November 1991 visit to Washington, Menem reported that Argentina had finally put its house in order and was fully prepared to take a seat at the same table with any of the world's leading nations. Coming from the freely-elected president of a democracy that had once been one of the world's richest nations, his words were highly convincing.

The Bush administration was so convinced of the progress made in the past two and a half years that it signed a treaty with Argentina intended to safeguard United States investments there. Such a confidence-building measure could foster similar agreements with other countries and thus contribute to Menem's quest for additional foreign investment. At the least, additional American investment in Argentina ($200 million in 1990) should raise Menem's standing at home.

Chile

Population: 13,286,000
Government: Republic
GDP: $27.8 billion
Per Capita Income: $2,130
Defense Expenditures: $572.9 million
Armed Forces: Army—54,000; Navy—25,000; Air Force—12,800; Paramilitary—27,000; Reserves—45,000 all services
Total Regular Armed Forces: 91,800

It has been nearly two years since Chile returned to its 150-year-old tradition of elected civilian government by voting out the military government of Gen. Augusto Pinochet. On March 11, 1990, Patricio Aylwin Azocar was inaugurated, thus ending the brutish 17-year dictatorship of Pinochet.

Aylwin's priorities were to move the government forward through the promotion of economic stability and growth while improving conditions for the poor. He also vowed to investigate the human rights abuses of the military regime, to reestablish civilian political authority, and to have Chile rejoin the international community.

Two things augur well for Aylwin. They are the tradition of democracy, dating back to the early 1820s, and the fact that the Pinochet regime had already revamped a statist economy.

Part of Pinochet's legacy was that he had allowed free-market economics to have a free hand in rebuilding an economy put in disarray by socialist President Salvador Allende's misguided programs of industrial nationalization and land redistribution. Pinochet's people had turned these programs around effectively by selling off many state-owned enterprises and by opening Chile to foreign investment.

The Aylwin government's retention of the economic policies initiated by Pinochet has made Chile's economy the envy of other Latin American countries. Based on figures for the first six months of 1991, Chile's economy is expected to rise 4.1 percent for the year—third-best for any nation between the Rio Grande and Tierra del Fuego. The inflation rate is under 20 percent and foreign investment this year is, at $3 billion, triple what it was in 1990.

Lest the reader be left with the impression that all is rosy in Chile, consider that some five million people—one-third of the population—still exist below the poverty level. Consider also the enormous environmental costs of the many previous development programs that are just beginning to receive President Aylwin's attention. It is estimated that the government and industry will spend nearly $5 billion to control pollution in just this decade. That is an enormous overhead for an economy the size of Chile's.

The highlight of Aylwin's efforts to clarify the human wrongs of 17 years of Pinochet's dictatorship was the March 4, 1991, release of a voluminous report by the Special Commission for Truth and Reconciliation. That report catalogued the deaths or disappearances of more than 2,000 Chileans during the period of military rule. Although it described in detail the torture, mutilation, deaths or mysterious disappearances of the victims of Pinochet's agents, the report does not name the guilty parties, leaving that task to the courts who, themselves, are faulted for their many failings in the past which could have prevented much of this.

Just as the Aylwin administration has made little progress in bringing the guilty to the bar, so too, there has been little progress in reasserting civilian authority in Chile. Before permitting the plebiscite which voted him out of the presidency, Pinochet ensured that the new constitution contained provisions that would forever maintain the autonomy of the

armed forces. Aylwin cannot legally remove Pinochet as commander-in-chief of the army, nor can he even propose cuts in the military budget.

Pinochet also packed the judiciary and retained a majority in the Senate—the constitution permitted him to appoint eight senators. This makes it extremely difficult for Aylwin and the sympathetic coalition in the Chamber of Deputies either to change the Pinochet-engineered legislation or to challenge it on legal grounds.

Fortunately for Chile, the old practices of torture and killings are no longer the norm. That seems to have quieted much of the public outcry against the army. And, now that Chile has ratified the OAS American Convention of Human Rights, President Bush has lifted U.S. military and economic sanctions which had been in place since the 1973 coup. These latter moves have been well received in Chile.

While Chile's first two years of postdictatorial rule have not been a honeymoon, free men are no longer afraid to speak their minds. Nor has the military seriously challenged the government's authority. While there is still a long way to go, the Aylwin government has made significant strides in improving the situation of the people.

CONCLUSION

At the outset of this assessment of the events of 1991, we mentioned three occurrences which, in our judgment, were the defining events of the year. The three were: the Gulf War, the failed Soviet coup and the unilateral reduction of America's nuclear arsenal. Having made our region-by-region review of significant events around the world, we are now inclined to agree with the editors of *Freedom Review* that "the definitive end of one era and the uncertain beginning of another" can be marked by the events of just three days in December 1991.

On Dec. 7 we gathered to commemorate the 50th anniversary of the attack on Pearl Harbor—that "date that will live in infamy"—which marked the entry of the United States into World War II. It also marked major changes in the political configuration of the industrialized nations of the world that remained so altered through the entire four-plus decades of the Cold War.

The next day, Dec. 8, the leaders of Russia, Ukraine and Belarus, meeting in Brest, declared, "the U.S.S.R., as a subject of international law and a geopolitical reality, is ceasing its existence." On that date, they also proclaimed the formation of the Commonwealth of Independent States.

Then on Dec. 9, 1991, 11 of the 12 members of the European Community (Great Britain abstained) voted to create a single currency and central bank for all Europe by the end of this century. Many of these nations had been bitter enemies in World War II. Now they are moving apace to establish common foreign and security policies and to create a market of nearly 400 million customers.

It would be short-sighted of us to attempt to make an assessment of 1991 based solely on these few events, as vastly important as they were. But even a cursory scan of the preceding pages will show that this was an exciting year in which much happened that could affect our own economic and security posture for many years.

On the European continent our NATO allies, relieved of the threat of being overrun by the Red Army, turned to the formidable challenges of forging a unified political and economic structure that would put them in an enviable trading position. There was extended debate—still not completely resolved—concerning the security of Western Europe and the extent to which the East Europeans should be allowed to participate in the common defense and the common market.

Even before the final collapse of the Soviet Union, nearly all the East Bloc nations were experiencing the growing pains of democracy. For most of them, the constitutions have been written and the elections held, and the new leaders are now struggling to install governments that will be responsive to the expectations of the electorate. Their task is made all the more difficult by the fact that the toppled regimes left behind little or nothing in the way of management ability. In those very few countries where the old socialists retain the reins under new guises, the people are beginning to weed them out.

In the 12 republics that are now associated with the Commonwealth of Independent States, there are a multitude of problems which do not lend themselves to quick or easy solutions. The collapse of central power sometimes gave vent to simmering ethnic or nationalistic animosities that have manifested themselves in bloody conflict. Then too, the collapse of the Soviet Union brought about the breakup of the world's largest military force. The leaders of the largest republics were quick to assure the West and the world that their vast nuclear arsenal was tightly controlled, yet questions remain about who will eventually control them. In addition, some dissension over who would control which elements of the armed forces caused international concern.

It is heartening to learn that in the former Soviet Union and in the countries that were part of the Soviet bloc, there has been progress in converting to legal and political systems that have some respect for fundamental human rights. This is another of those problems that cannot be resolved rapidly, but it is one for which the people demand action and to which the leaders must devote immediate and considerable attention.

In Africa, the dual scourges of civil war and starvation continue to ravage the land and wreak havoc on the survivors. On a somewhat brighter note, military despots were

driven from power in Ethiopia, Chad and Somalia. The government in South Africa revoked some apartheid laws dealing with land ownership and promised to ease additional discriminatory rules dealing with political and social activities in the future.

The year started with a bang in the Middle East, and yet even with his army vanquished and driven from Kuwait, Saddam Hussein remained in power at the end of 1991. He still makes life unbearable for the Shiite Muslims in southern Iraq and the Kurds in the north. And he still retains the vitriol to sneer at United Nations demands for compliance with the cease-fire resolutions and destruction of Iraq's nonconventional weapons as he earlier agreed.

In Lebanon, 1991 was the quietest year in decades under arrangements manufactured in Damascus, Syria. There are still outbreaks of fighting along the southern border with Israel, but in most of the rest of Lebanon it would appear that the warring factions have seen the futility of it all. After years of seeing terrorists use kidnap victims for political or financial ransom, the last of the American hostages held in Lebanon were freed in December.

The first session of the Middle East peace conference, held in Madrid in October, was marked by some fairly bitter wrangling, but that was not enough to scuttle future talks which continue into 1992, raising the hope that at least some of the people of this troubled region might someday see peace.

The suspension of civil rights in parts of India and a military coup in Thailand put blots on Asia's otherwise promising record for 1991. The cessation of hostilities in Cambodia is being supported by a sizable U.N. peacekeeping force, while some slow progress was made in the struggle against communist-led guerrillas in the Philippines. With the exceptions of Myanmar (Burma), Sri Lanka and Afghanistan, development seemed to occupy the talents and efforts of most of the emerging nations in Asia.

Of all the major nations, China is certainly one to watch in the Pacific. Despite its aging repressive central government, there is a great surge of economic development in the eastern provinces. Also, China is busy streamlining and modernizing its armed forces and is almost unique in increased defense expenditures—up 12 percent in 1991. With its massive population and resources, China is a power to be reckoned with in the future.

The year-end settlement of El Salvador's 12-year-old civil war for the most part brought an end to fighting in Central and South America. There are still several nations in which small bands of armed guerrillas risk an occasional foray against the government, but those are not nearly so common as in previous years. Most of the killing in the countries to our south is now perpetrated by the armies of the narcotics smugglers, while the government reaction to this scourge varies from country to country.

In sum, 1991 was certainly another remarkable year for the expansion of freedom and democracy around the world. Many of the events highlighted in this report are already changing for the better the lives of millions who heretofore were barred from participating in the political order by which they were governed. Not until they were able to rid themselves of the bondage of despotism could they develop their own views, form associations and exercise their will free of state domination. Yet, while there are many more people in this world who enjoy political freedom and civil liberties then there were one, two or three years ago, there are still millions who do not.

In many places the struggle for mere existence overshadows the desire for self-determination. Approximately one-third of the earth's inhabitants still live in lands where the reins of power are in the hands of autocrats. The last great communist dictatorship still exists in China, and about half the countries in Africa are ruled by tyrants. Saddam Hussein rules Iraq, Qaddafi's iron hand is the law of Libya, Assad dictates in Syria and dominates most of Lebanon, and Kim Il Sung rules North Korea. So, despite the optimistic views that we presented earlier, it is incumbent upon us to keep in mind that there are still many struggles and many problems in our world. And there is ample opportunity for much of the progress made in recent years to come undone. For that reason alone it is vitally important that the world's last remaining superpower, the United States of America, keep its guard up. Providing a secure environment for the future is the greatest legacy we could provide our children.

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