



MINISTERIO DE DEFENSA

CUADERNOS
de
ESTRATEGIA

100

1998/99 STRATEGIC PANORAMA

INSTITUTO ESPAÑOL DE ESTUDIOS ESTRATÉGICOS



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INTRODUCTION

In the introduction to last year's Strategic Panorama, we pointed out the Instituto Español de Estudios Estratégicos' interest in producing this publication and our aim of securing it a place among the collection of similar documents that exist in the international sphere. We are therefore pleased to say that the decision was made to translate our Panorama into English; this will no doubt facilitate its dissemination beyond our borders and, particularly, among our allies. This leads us to recall the goal we set ourselves: to reflect a Spanish point of view of the year's events and, as befits a «Panorama», pay special attention to the areas on which our interests are focused primarily, though at the same time presenting a global vision of the world. The Panorama therefore consists of specific chapters on the building of Europe, reforms in the central and eastern regions of our continent, stability in the Mediterranean and the strategic situation in Latin America.

In order to give coverage to the whole of 1998 and not to delay publication, the deadline for contributions to this year's edition was set for 30 November. This enabled us to get on with the translation and edition tasks and meanwhile complete the articles with an epilogue dealing with the month of December, which is generally rich in interesting events. As we pointed out in last year's Panorama, references to next year—in this case, 1999—are made in connection with prospective events and forecasts of important happenings slated for the new year.

We hope that the publication of this second edition will consolidate our Panorama and that it becomes a regular feature in the field of strategic studies, enriching knowledge of security and defence matters in Spain and providing scholars and people outside Spain who are interested in these issues, particularly our allies, with a Spanish vision of the world we live in.

THE CO-ORDINATOR OF THE WORKING GROUP

CHAPTER ONE

A STRATEGIC OVERVIEW OF 1998

A STRATEGIC OVERVIEW OF 1998

By FEDERICO F. DE BORDEJÉ Y MORENCOS

THE OUTLOOK IN A NEW WORLD ORDER

1998 was a year of hopes and vexations—Ulster, the Middle East, Kosovo, etc. Unfortunately, many of these hopes were not realised, perhaps because preventive diplomacy worked in certain areas and not in others where the regimes or groups in question were not interested in reaching a compromise. On the other hand, the dominant trends of this decade—world-wide interdependence amid the diversity of the international scene, the growing consolidation of democracy and political pluralism, the diffusion of power and the West's inability to prevent and control events not only in unstable developing regions but also within its own spheres of influence—proved to be a constant feature.

Western Europe underwent a process of change that entailed a reversal of previous years' political trends, as conservative governments stepped down in favour of progressive parties in Germany, Sweden and Italy. Foreign policy and security criteria were not consolidated, despite the growth of collective defence structures—NATO, WEU, OSCE, the Council of Europe and the Partnerships for Peace programme—the strengthening and enlargement of the EU and the expansion of the Atlantic alliance. The birth of monetary union did not prevent solidarity among the EU member states from failing to find a foothold, as evidenced by the plans to deprive the poorer countries of the Cohesion Funds, the differences witnessed in the dispute between Greece and Turkey and lack of decision regarding Kosovo. Western Europe likewise continued to display little power to inter-

vene in the problems of the Middle East and Africa and has yet to develop a lasting partnership with the United States to prevent unnecessary struggles now that the new currency has come into force. Therefore, in order to counteract Washington's unilateralist temptations and build a multilateral economic and security system, Europe needs to be stronger, more coherent and clear-headed—since this is the only way to ensure the balance with the United States—and suitably poised to face the challenges of the next century.

Despite certain unsavoury controversies at home, America consolidated its position of superpower in all areas, from foreign to economic and military policy, gradually imposing its model on the rest of the world. This indicates that the other side of the Atlantic pursues a realistic, pragmatic policy, managing and directing its structures with continuity and a firm hand. Indeed, despite their shortcomings, its guidelines have nevertheless secured it the only leading role in world affairs, as evidenced by the US intervention in the Palestinian issue and the pacification of Ulster and the Balkans or sub-Saharan Africa.

Russia, on the contrary, was unable to rid itself of the scourge of corruption, finding itself governed by an ailing leader and plunged into economic turmoil and a moral and social crisis. These factors could have a negative effect on Europe, with the aggravating circumstance of the lack of agreement on security matters vis-à-vis NATO's enlargement.

In the Balkans, the Kosovo crisis demonstrated that the area continues to be unstable and a permanent source of violence and tension; meanwhile, in the Middle East, the hope of lasting peace seems to have arrived with the Wye accords, though it is too soon to be sure. The Iraq weapons inspection crisis, tensions between Turkey and Syria, and Turkey's collaboration with Israel also indicate that unforeseeable events can occur at any time.

Japan is experiencing moments of great uncertainty which point to the need for a radical change of economic, financial and social model. The countries of South-East Asia and Indonesia, sustained by foreign aid, continue in the throes of the serious financial crisis which had set in the previous year as a result of following a policy of economic liberalisation directed and controlled by the state.

Although moderately affected by the crisis of the Asian «tigers», China is progressing slowly but surely with its economic-financial and industrial

development, following an «eastern-style» policy of openness. Its economic and investment policy differs greatly from its social policy and the country is expected to take some time to achieve full democracy and political pluralism.

In India, the regionalist parties gained popularity, while the governing coalition members were spurned by voters. Its nuclear tests triggered a reaction from Pakistan, which followed suit, causing the tension between the two countries to mount. While the West was unable to curb reactions in Asia, Iran showed signs of opening with regard to its domestic and, particularly, foreign policy, whereas in Afghanistan and northern Africa, mainly Algeria and Sudan, radical Islam gained ground, and the world proved incapable of halting it.

The conflicts in Sub-Saharan Africa—Sudan, Eritrea, Ethiopia, Somalia, Sierra Leone, Guinea Bissau, etc—did not die down. South Africa, Uganda and Nigeria confirmed their status as regional powers whose sphere of action and influence stretches well beyond their borders.

Democracy in Latin America continued to strengthen its foothold, though authoritarian or overly personal styles of politics continue to be observed in certain areas. The world financial crisis had a moderate impact on this part of the continent, while Cuba showed certain signs of opening up, something which would have been unthinkable only a year ago.

By and large, the turmoil in Asia and Russia has caused a slow cooling-down of the world economy, as evidenced, for example, by the fact that the EU has lowered this year's growth forecast. It is not expected to be possible to halt the collapse of the Japanese economy or developments in Singapore and Hong Kong, which have been drawn into the downward spiral, and the fears that the crisis would spread to Latin America were confirmed. North America and Europe have come off somewhat better, keeping up a brisk pace of economic activity. Our government announced that Spain is able to cope with the international crisis because it has a sound economic base, though the problems should not be underestimated.

In 1998, as in 1997, the so-called Third World undoubtedly witnessed a surge of territorial disputes and territorial, ethnic, religious, economic and other types of conflict of very different political and strategic significance. It is a fact that conflicts in peripheral areas are largely due to local

conditions, and should therefore not be settled by applying formulas similar to those used to solve western clashes, and also that military force in that part of the world has come to be more important in mediators' risk calculations or when considering intervention; America's fiasco in Somalia, which demonstrated that the cost of intervention can be very high, has not been forgotten and is, perhaps, a case for not intervening in Kosovo.

The founding of the International Criminal Court to try cases of genocide, aggression, crimes against humanity, etc., is part of the globalisation process. It has taken its time, since the request to set up a court of this kind was made after the Nuremberg trials. Nonetheless, certain countries such as the United States, Israel, China, India and Turkey declined to participate; this was undoubtedly due, in the case of the first, to America's obsessive reluctance to be a member of bodies where it does not enjoy the right of veto, as in the Security Council.

SUBSTANTIAL PROGRESS IN THE BUILDING OF EUROPE

Early in the year the Fifteen agreed on the distribution of power at the future European Central Bank and on the criteria for choosing its board, thereby amending the unfavourable impression left by the debate held the previous June at the Council of Amsterdam, which seemed to indicate that the progress towards the single currency was being hindered by Germany's and France's failure to see eye to eye. Spain was found to meet the inflation criteria, and its economic growth, at 3.3%, outperformed the official forecast by one tenth of a point.

Nonetheless, since all the highest-level meetings had confirmed that the date set at Maastricht—1 January 1999—would be respected, single currency seemed to be an inevitable reality at the beginning of the year, as without the euro, the European market would continue to be weak and incomplete. It was thus necessary to abandon earlier financial policies that entailed shared monetary sovereignty and move towards the creation of a European Central Bank and a single-currency policy in order to ensure exchange-rate stability and the free movement of capital.

As a result, eleven of the fifteen countries were found to be prepared to join the euro, among them Spain. This is a remarkable achievement bearing in mind that at the end of 1995 it did not meet any of the convergence criteria. Greece, with an inflation rate of 5.4%, did not measure up, and Denmark, Sweden and the United Kingdom chose not to join during

this first round. The Commission underlined the rigour shown by the Spanish government, awarding our country one of the best scores, higher even than those of Germany and Italy, while Greece and Sweden failed to pass the test. Spain thus proved that it had successfully combined rigour, austerity, wage control and economic relaunch with a moderate cut in public spending, a rise in employment levels and maintenance of a peaceful social atmosphere, eradicating corruption and displaying a disciplined and transparent approach to economic management.

Something of a controversy arose when Germany, the Netherlands, Sweden and Austria proposed that EU enlargement should be financed by the southern European countries since, according to Bonn, Germany was paying a lot and Spain was getting too much. However, our government demonstrated that if one took the GNP of each country and the contributions made by each partner, these were more or less consistent with the weight of their respective economies. This was followed by another controversy surrounding the forthcoming appointment of the president of the future European Central Bank, for which there were seemingly two candidates, Mr Duisenberg, a Dutchman, and his French rival, Mr Trichet.

While the so-called «fast-track» enlargement negotiations were begun with Hungary, the Czech Republic, Poland, Slovenia and Cyprus—whose accession will cost 75 million ecus—and it was announced that the measures taken regarding the rest of the candidates would be revised, the draft proposals for reforming the EU farming sector, to be included in the Community's agricultural budget for 2000-2006, were presented. The reform plans benefited the produce of the countries in the centre and north of the continent and clearly discriminated against southern and Mediterranean partners.

The crisis in South-East Asia spurred the creation of a 40 million-ecu fund to aid the countries in the area. Spain proposed organising a Euro-Asian meeting for 2002 and paying additional sums into the fund, apart from its contribution. At the 15th meeting of the Fifteen with ten Asian countries in London, our government clearly stated its wish for Asia to become the new frontier for Spanish foreign policy. A variety of issues were discussed at this meeting, save, for the sake of China, human rights and democratisation.

Since Europe is not indifferent to the problems of the Middle East and Africa, it could not be so to those of Asia. The EU's participation in the ASEAN Regional Forum marked a first step in the same direction taken in London. Indeed, the threats to European security are also located near its

outer borders, from Morocco to the Near East and, further afield, in Asia, which seeks a counterweight to Chinese and American influence.

President Chirac struck a discordant note in the integration process by opposing not just enlargement and the reform of agricultural policy without prior institutional reform, but also the project to create a free exchange zone with Latin America, demonstrating his nationalist stance and forgetting that the advantages—a move towards a politically united Europe, greater weight in the world scene, security for the continent and a bigger market—outweigh the disadvantages. Among the drawbacks are the risk that the EU will become merely an economic area and the fact that it is more difficult to get 25 countries to agree than it is 15.

A historic event occurred on 1 May at the Brussels summit, when eleven countries passed the test for first-round euro membership. A debate was also held on the founding of the ECB and other important issues such as co-ordination of economic policy, since, in such an integrated area, budgetary policies have both positive and negative repercussions on the different economies and co-ordination can maximise the positive effects and minimise the negative ones. Also on the agenda were the euro exchange-rate policy, since the Council must define the guidelines in conjunction with the European Commission and the ECB and, lastly, the social situation, as the varying unemployment rates of the different countries require structural solutions that must be sought at national level.

It was confirmed at the aforementioned summit that the Maastricht criteria—2.7% inflation, 5% public deficit, 60% public debt and maximum interest rates of 7.8%—were met by Germany, Austria, Belgium, Spain (with 1.8%, 2.6%, 68.8% and 6.5%), Finland, France, the Netherlands, Ireland, Italy, Luxembourg and Portugal. The United Kingdom and Denmark also passed the test but would not be joining at the first stage, while Sweden and Greece failed to meet the requirements. In a referendum held in May, Denmark voted in favour of ratifying the Amsterdam treaty. The European Parliament pledged its support to Monetary Union two days later, while the euro's critics branded it as a symbol of globalisation and, as such, the first step towards a single world currency and, eventually, to a single world government, forgetting that for the past decade we have been immersed in the irreversible process of globalisation.

It seems certain that the euro is not only expected to oust the dollar from its dominant position, which is out of keeping both with the weight of

the American economy and its volume of trade, but also to secure Europe benefits and liquidity, cut expenditure and attract investments, among other things, making it a bigger domestic market than the United States in terms of number of inhabitants, GDP generated and volume of trade. The new currency could amount to 18% of world reserves and mark the end of centuries of bloody conflict, though we do not know if all this will occur in the short, medium or long term.

The designation of the ECB board was a laborious task. The foundation date was set for 1 June and the Dutch candidate appointed the bank's first president, with one Spaniard figuring among the six board members. It was difficult to reach agreement owing to the conflicting opinions of Mr Chirac and Mr Kohl, which cast a shadow over the summit, though the crisis soon blew over when the two statesmen met in Avignon.

Days after the summit, the Commission praised the employment schemes submitted by Spain reflecting the commitments it had made at the previous Luxembourg summit. No agreement was reached with the US to bury the Helms-Burton Act and, while on the subject, the application of the d'Amato Act banning investment and trade with Libya and Iran. Progress on this issue thus came to a standstill yet again.

At Germany's request, and with the backing of the Netherlands, Austria and Sweden, the European Parliament asked for the Cohesion Funds to be withdrawn from the countries which had joined the euro—a move with negative implications for Spain, Portugal and Ireland. Although the Parliament's decisions are not binding, this one provided Mr Kohl with a slogan for the October elections. A few months later, the European Parliament went back on its decision, leaving the issue up in the air, perhaps after realising that the European Court of Auditors supported Spain in its dispute with those four countries, which insisted that they were contributing too much to the EU's coffers and receiving little in return.

The issue raised its head again in July and October. In July, Mr Kohl warned of the danger of overheating the economies of some countries «which benefit from the EU's solidarity», again calling for the subsidies to Spain, among others, to be cut. Our government's response coincided with that of the Commission: the funds could not be the cause of overheating and «those who have the most should pay the most», as this was a criterion of equity and justice. However, in October the Commission showed itself more inclined to favour Germany's position and advised Spain to negotiate through the CAP, putting the issue on the back burner.

At the Cardiff summit in June to mark the end of the United Kingdom's presidency, Mr Kohl's offensive regarding the need for a new distribution of powers, «because otherwise the community institutions could have their room for manoeuvre curtailed» was also left in the air. Spain's prime minister retorted that what is needed is greater political and economic integration, not the annulment or curtailment of powers, though he did admit that enlargement required reforms in order to design a Europe of the future, an issue that ought to be discussed at the following summit. At the same time, examination of community budgets was postponed until spring 1999.

Mr Fischler's scheme for the subsidies to the olive oil sector had far-reaching political and social implications in Spain owing to its negative impact on employment and because it contradicted the Amsterdam Treaty. The discussion has not yet completely died down, even though the initial quotas have been improved.

On 1 June, Austria took over the presidency of the EU, thereby making a comeback to the international stage after three decades of isolation. One of its first proposals was to allow Ukraine (previously put forward by Germany as an applicant), Moldova and some of the Balkan states to join the EU.

By the autumn, Austria's idea of setting up a partnership for Europe scheme for countries which are not even candidates for EU membership had been discarded. At the Portschach summit held later in the year, the emphasis was on general principles: employment and growth policy, cutting interest rates, the European defence pillar, assistance to Latin America, creation of the figure of «monsieur PESC»—the high representative for common foreign and security policy—etc. As for the WEU, the defence and foreign ministers discussed two proposals at their meeting in Rome: France's idea to integrate it into the EU and the United Kingdom's suggestion of allocating the political side to the EU and the military part to NATO. No agreement was reached and the final decision as to whether it should continue or disappear was postponed until the Vienna summit of heads of state and government in December.

On another note, events of major importance occurred throughout the year: the problem of Ireland was solved when an agreement was signed in Stormont on Easter Friday, putting an end to the violence and hatred that had characterised relations between the two Ulster communities for 60 years; elections in Malta, won by the conservative opposition which imme-

diately announced its intention to renew negotiations with Brussels, broken off in 1996 by the previous labour government; and, lastly, the German elections in October, won by Mr Schröder who promised continuity in foreign policy and that the change of government did not mean a change of goals. Nonetheless, the departure of Mr Kohl—as a result of his long, 16-year stint in government and his succumbing to the seductive allure of power, yet failing to leave behind a clear successor—ushered in a new period in the EU characterised by the absence of an obvious leader, pending Mr Schröder's running in. During his visit to Moscow, Mr Schröder sought to free Russian-German relations from the close personal ties that linked Mr Kohl and Mr Yeltsin.

At the end of the year, France, Italy and Germany attempted to be the exclusive representatives of the euro in G7. This opinion clashed somewhat with that of Spain and the rest of the EU members, who are in favour of representation being held by the rotating EU presidency.

The Vienna summit came to its close in December without having resolved the problem of the future funding of the EU. Neither the supporters nor the opponents of the Cohesion Funds made any concessions. Spain managed to ensure that the world «stabilisation», which is synonymous with freezing of expenditure, did not figure in the conclusions, and new avenues for settling the issue other than withdrawing these funds from the poorer countries were opened. The matter will be on the agenda for the next summit in 1999.

THE NEW NATO MISSIONS

1998 began with the signature of Partnership Charters with the three Baltic republics at the White House. This was not a consolation prize for those who failed to join NATO but rather a step towards membership, although the agreement does not include the automatic intervention of the United States in the event of threats to the integrity, independence and liberty of these countries. The accord was something of a slight to Russia, which had offered the states similar treaties.

The Strait of Gibraltar once more proved to be a critical or key element of the subregional NATO command, dependent on the southern command in Naples. The subregional command will be located in Spain, the only country with operational capacity in the area, and will to an extent replace the British command in Gibraltar, which will remain as a British installation.

It was also announced that Spain will join the alliance's Early Warning

Force, thus gaining access to the information obtained by the AWAC.

At Vienna, the Supreme Allied Commander for Europe asked why Austria does not join the organisation, since it could not be oblivious to the conflicts in Europe. No doubt, he was referring to the situation of Kosovo and Montenegro, the dispute between Greece and Turkey or to the problem of Islam in Ankara. According to General Clark, this traditional neutrality, laid down in the peace treaty with Russia in 1955, is meaningless now that there are no blocs—not even the USSR—and stems more from traditional reasons than from political and strategic decisions.

For its part, Russia pointed out that it would reconsider its relationship with NATO if force were used to settle the Iraqi crisis and that Ukraine would not apply for accession. This statement was neither denied nor approved by Ukraine, which had signed a specific partnership agreement in Madrid the previous year and takes part in NATO manoeuvres and peace missions in the Balkans. Russia's basic message was that it was not willing for the alliance to expand further eastwards.

Russia's declarations were confirmed when President Yeltsin and President Lukashenka of Belarus agreed on the principles for a common military and defence policy in the event of external aggression. This move was designed to counteract the agreement between the US and the Baltic States, and was a warning to those republics that Russia condemned their rapprochement with the Atlantic alliance.

Months later, the US Senate ratified by a majority the decision to allow Poland, the Czech Republic and Hungary to join the alliance. The possibility was furthermore addressed of sending forces to Albania to prevent the Kosovo conflict from spreading. While Italy backed Tirana's request, the rest of the member states reacted with greater caution, fearing that a go-ahead could be interpreted as a step prior to intervention on Serbian soil.

In view of the growing activity of the Kosovo Liberation Army (UCK), the EU decided against any type of military intervention, preferring to focus on designing a plan to give the region wide autonomy, backed with the threat of using force. The problem lay in getting the Fifteen to reach a unanimous decision, since Greece and Italy had always been reluctant to recognise the UCK as their interlocutor and to carry out a formal intervention. For its part, the US state department underlined that NATO had an action plan should a humanitarian disaster occur in Kosovo, which had been suffering for months. The plan was ready in September and it was thus possible in October to decide to go ahead with the by then stale intervention if Mr Milosevic did not put an end to the ethnic cleansing and withdraw his for-

ces from the region. The threat led him to accept the conditions, which will be dealt with later on, and it was likewise positive to see Macedonia agree to a NATO Rapid Reaction Force being stationed on its soil.

What there is no doubt about is that NATO responded suitably to the sectors which still ask if there is any point in the survival of an organisation which no longer has any adversaries. Indeed, in 1998, once again, the alliance proved that it plays a useful role of deterrent organisation and military arm of the UN on pacification missions in its area of responsibility. It thus serves a number of purposes, such as for example, that of supervising the Dayton accords in 1995—an achievement which should by rights be attributed to the United States but has consolidated the alliance, clearing up the doubts as to its usefulness and boosting its credibility, which was enhanced by the accession of several former Warsaw Pact enemies and by the Europeans' capacity to reach an understanding to create a European defence body. This development, based on new political, military, humanitarian and mediation functions, has the effect of weakening the role of the OSCE, which Russia and other continental governments would like to see strengthened.

Although the OSCE machinery is complicated to run, since decisions require unanimous agreement, this is generally conducive to negotiation and conflict prevention rather than to resorting to the use of force. Therefore, after NATO is consolidated, it will be necessary to strengthen OSCE.

At the beginning of December, France and the United Kingdom submitted a plan to the rest of the EU allies to create a European defence with an autonomous military capacity, capable of responding to possible international crises when neither NATO nor the United States is directly involved. This would entail dissolving the WEU, integrating its military responsibilities into the EU. Washington expressed its enthusiastic support for this plan, with the reservation that such a body should be linked to, and not dissociated from, the Atlantic alliance.

AMERICA CONSOLIDATES ITS POSITION AS SOLE WORLD POWER

Although US hegemony is not new, the country, owing to a combination of factors, has still not found a rival in 1998 and continues to dominate five basis spheres: economic, diplomatic, military, scientific and even cultural.

An analysis of its macroeconomic indicators shows that its economy is the healthiest and strongest on the planet, with sustained GDP growth, an inflation rate in the region of 1.7%, no budgetary deficit and an unemployment level down to 3.1%, the lowest in 28 years. Although negative, its trade balance is offset by inflows of foreign capital. At microeconomic level, US companies account for a third of the most important world firms and dominate key industries such as telecommunications, computing, aero-space and consumer goods, while exercising determining influence in international bodies such as the UN, the IMF, the World Bank, the World Trade Organisation, G7 and military alliances such as NATO.

On the military and strategic front, the United States has yet to see the emergence of an enemy that is a match for it and has thus reduced the expenditures for defence deriving from the arms race of the seventies and eighties; these cuts been criticised, among others by former defence secretary Caspar Weinberger, who in his book *«The Next War»* accuses the Clinton administration of being too heavy-handed in trimming the defence budgets, abandoning the «Star Wars» project, making concessions to China and ignoring the new threats, in the form of fundamentalists or ethnic and religious rivalry, which will play a decisive role in the conflicts of the future. The doctrines of the past have lost much of their value, as the Pentagon demonstrated when it decided to change those that are still valid today and described the new world situation as an «expansion of uncertainty», in view of the difficulty of eliminating nuclear hazards and the simplicity of hacking the most protected computer networks. Nonetheless, it may be that those criticisms and the new strategic and military prospects have led to the appearance of special items totalling nearly 1.3 trillion pesetas in the 1999 defence budget, designed to raise alertness levels and step up the training of the armed forces.

In the nuclear field, the tests carried out by India and Pakistan in June and July demonstrated to Washington that it is of no use to impose sanctions against proliferation without the agreement of the other nuclear powers, and that no international inspection system will succeed in abolishing it.

In another respect, it seems that the concept of a «new world order» —to quote president Bush after the Gulf war—aimed at achieving peace and co-operation between nations, with America in the lead role, intervening in crisis to order to swing events whichever way most suits its interests, has not been achieved, despite the assertions of the secretary of

state, Madelaine Albright, this year. The reason why this goal has not been achieved is that events did not measure up to this lofty concept, as 1998 witnessed the continuation and intensification of nationalist movements, conflicts of all kinds and lack of peace and stability in large areas of the world.

From the beginning of the year, the United States found itself shadowed by a new Watergate and by the implacable counsel Mr Starr, who had been investigating the allegedly shady real estate dealings of the Clintons in Little Rock before moving onto the president's sexual misdemeanours, beginning with the Lewinsky saga which had wide-reaching implications in the national press. The issue reached boiling point in June, culminating in Mr Clinton's testimony before the Grand Jury in which he admitted to some of the charges, and the publication of the Starr report later in September, which was even disseminated through the Internet. The US Congress decided to set up a judicial y committee to start an enquiry and decide on possible impeachment proceedings.

Paradoxically, this situation did not damage the President's popularity as a statesman, as evidenced by the results of the Congress elections on 3 November, though it did affect his personal reputation entailing, by extension, loss of political support and the possible erosion of the powers and privileges of the office, which may affect his successors to the White House. The Republican party played a major role in this harassment, refusing to approve budgetary allocations requested by the president for social programmes and calling for hefty tax cuts. This situation was fortunately overcome when the budgets for the following year were approved unanimously.

Nobody disputes Mr Clinton's considerable achievements in home and foreign policy, though the president faced a number of serious problems over the course of the year: the eruption of a new UN-Iraq weapons inspection crisis; the impossibility of halting Israel's colonisation policy in the West Bank and Jerusalem, despite the long-awaited Wye agreement promoted by Mr Clinton; the delicate situation in the Balkans, namely Kosovo and, partially, Albania and Montenegro and the uncertain future; conflicts in Africa; and financial instability in Russia, Japan and Latin America.

The president's greatest achievement, as mentioned earlier, was undoubtedly in the economic field. It has been said that while the Japanese economic model was the myth of the seventies, that of a new and better model—the American system—has emerged at the turn of the cen-

tury. However, the Asian «tigers» and similar economies, even Japan, will not be prepared to adopt it unless they overhaul their structures and put their home affairs into shape.

On visiting Berlin, Mr Clinton reaffirmed that Europe was the focus of America's foreign policy and that this collaboration should be based on expanding NATO, boosting trade and spreading democracy by supporting weak countries such as those of the Caucasus or the Balkans, with NATO as the mainstay of a common security policy. He went on to state that although today's threats are more vague, they are not necessarily less certain. This visit coincided with a reduction in military deployment in the Gulf area, leaving only 17,000 men, though Saddam Hussein was warned that the United States would not be lowering its guard.

A major event during the year was the president's visit to China in June. America regards this country as a huge potential market, but also as a future superpower which, sooner or later, will try to dispute world dominance. It is thus necessary to hold talks and establish links in different spheres, while monitoring its development. On this occasion, China did not manage to see one of its major goals achieved, that of joining the World Trade Organization.

The attacks on the US embassies in Kenya and Tanzania in August, in which some 260 people died, were attributed to the Saudi fundamentalist and multi-millionaire Bin Laden, exiled in Afghanistan under the protection of the Taliban, since it was he who funded the Afghan uprising against the Russian occupation. Washington accused Sudan and Afghanistan of collaborating in the attacks, and President Clinton ordered air strikes on targets in the two countries. This action won the support of some countries, among them Spain, but was criticised by many.

Mr Clinton continued to be harassed in December, when the House Judicial Committee approved the charges of perjury before the Grand Jury and obstruction of justice and Congress. Not only was the president's resignation called for, but the Judicial Committee, controlled by the Republicans, voted for impeachment.

A project with far-reaching implications to which the American public did not pay much attention—and one which, in a sense, affects Spain—was the March debate in the House of Representatives of the Young Plan for the future of Puerto Rico. The plan entailed calling a referendum in which the islanders would decide whether or not they wished to become

the 51st state. In the 1993 referendum, 46% of the population had voted in favour of this new status, while a meagre 4.4% voted for independence and 48.6% preferred Puerto Rico to continue to be a Free Associated State. In the non-binding referendum held in mid-December, Puerto Ricans chose to maintain their current status, as 50.2% of voters ticked the so-called «fifth column», handing in blank ballot papers, versus 46.7% in favour of annexation. This result came as a harsh blow to the United States' aspirations of integration.

The president scored a personal success by getting the Palestinian and Israeli leaders to meet at Wye, near Washington, to discuss and reach an agreement which appeared to be acceptable to both parties. However, it is too soon to know what the real results will be and, indeed, subsequent events and statements are more conducive to pessimism. In December, the United States warned that the European defence plan, which examines the creation of a defence pillar between the EU and NATO in order to equip Europe with its own military resources to cope with crises within its area, should not dissociate itself from NATO. In this connection, Spain supported the idea of dissolving the WEU into the EU, in keeping with the Franco-British initiative, though this poses problems such as what would happen with Turkey, which is a NATO member, or with the neutral countries such as Sweden, Austria, Finland and Ireland, which belong to the EU but not to NATO.

A prominent issue in Canada throughout 1998 was the problem of the possible secession of Quebec, which voters had rejected in 1980 and 1995 for several reasons: the existence of a large minority of English-speaking immigrants; the federalist attitude of the indigenous ethnic groups; the indecision of a large sector of the French-speaking population, who regard themselves as Canadians just as much as Quebeckers; and because, if separation were to occur, conflicts of interests and cultures would emerge between the east and the English-speaking west, between new and old provinces. Other provinces, such as Alberta or British Columbia, seek to return to the past, that is, to validate the treaty which formerly linked them to the British crown. These provinces want to continue to be Canadian but threaten secession should Quebec achieve it. Lastly, the country cannot ignore the continual growth of the Asian communities, whose economic and political influence is increasing. China's awakening could lead to the forming of genuine cultural and linguistic communities, complicating the scene even further. In the December parliamentary elections, the Liberal Party won more votes than the secessionists, and the problem was again put on ice, though president Bouchard was re-elected

with a majority of seats.

FROM THE APPEARANCE OF NORMALITY TO INCREASED VIOLENCE IN THE BALKANS

While at the beginning of the year the UN handed over to Croatia the last of the territories occupied by the Serbs in 1991—known to Croatia as the Danube region and controlled by the United Nations since 1996—the government crisis of the Serb part of Bosnia was settled with the election of a moderate prime minister who was willing to collaborate with the West.

At the same time, the International High Representative, the Spaniard Westendorp, established a single currency after the three Bosnian communities failed to reach an agreement; this was another of a set of measures designed to make a true state of this country which already had a passport, a single flag and common citizenship, though the most successful measure was to isolate the Croat hardliners of Bosnia, who supported the interests of Zagreb, just as the Serb right-wing extremists backed those of Belgrade.

One of the Bosnian problems still pending settlement at year end was thus the future of Brcko, the only river port on the bank of the Sava river, located at the border between Bosnia, Croatia and Serbia. It has been under Serbian control since 1992 and is claimed by all three communities.

But the major issue that continues to be unresolved is the one million three hundred thousand refugees who, according to the Dayton agreements, are entitled to return to their homes; of them, 400,000 have already returned and a further 200,000 are expected to do so this year. As long as this matter, among others, continues to be unresolved, it is hard to talk of peace and reconciliation.

In the tripartite presidential elections, only the Bosnian Mr Izetbegovic was re-elected. In Banja Luka the pro-west candidate was defeated and in the republic of Spak a radical won. This victory of the die-hards raises uncertainties, since both the Serb and the Croat want secession, which would entail amending the Dayton accords.

In actual fact, Bosnia is not the only western failure in former Yugoslavia. With the exception of prosperous northern Slovenia, the rest of the

republics and regions are struggling amid uncertainty, chaos and authoritarianism. The situation of Croatia, governed by the highly individualist and intransigent Mr Tudjman, is by no means to be envied. To the north of Serbia, tension is mounting in Vojvodina, where there is a Hungarian majority. The Serbs in Montenegro are losing ground and power. The state of Macedonia, for its part, has been left «hanging in a vacuum», under harassment from Greece, Serbia and Bulgaria. Meanwhile Albania which, though not an EU candidate is of vital interest to Europe owing to its geographical location, is slowly emerging from its chaotic past.

However, the problems deriving from the implementation of the Dayton agreements were pushed into the background by the serious crisis or civil war in Kosovo.

Kosovo, the poorest of the Serb republics, which lost its autonomy in 1989, hoped to take the first steps towards a peaceful and negotiated independence or the building of a parallel state with powers in educational, health and legal matters. However, Belgrade rejected these aspirations. Following several weeks of warning and after talks between Mr Milošević and the moderate Albanian leader, Mr Rugova, failed, Belgrade launched a crackdown in that province in March, with a policy of ethnic cleansing, defying the international community and heedless of the US warning that a bloodbath would not be tolerated. The European Union's request to the Serb leader to send a mediator and restore to Kosovo its lost autonomy also fell on deaf ears, the argument being that this was an internal problem and as such had to be resolved by Serbia.

Of the Fifteen, only France, Germany and Spain were in favour of a possible military intervention as a solution to the conflict, while Greece and Italy opposed taking further action. This once again showed that, except for in the economic sphere, Europe lacks a common policy capable of guaranteeing security in the continent. Although it attempted to convey to the world an impression of unity on this issue, the EU actually adopted an attitude of utmost caution, drawing up a highly ambiguous communiqué which, although recalling the need to back a statute for Kosovo, failed to mention the word «autonomy». This furthermore came at a time when Serbia was staging a referendum to ask the population whether it wished for international mediation—pure farce, since the result, a categorical no, was a foregone conclusion. Neither did the meeting of foreign ministers in London serve to analyse the issue, since it merely led to the Security Council convening a meeting to study the crisis. A regional initiative promoted by

Bulgaria also failed.

In the face of a possible Serb aggression, in April Albania requested the deployment of NATO forces in its territory as a pressure and security factor, while the contact group described the situation in Kosovo as high-risk, agreeing to implement the following measures: to freeze Yugoslavian funds abroad; to establish talks without conditions between the two sides; and to stop new investments flowing into Serbia. These measures did not win the approval of Russia which, from the outset, openly supported Belgrade.

When June arrived, while President Clinton issued a statement reaffirming that what had happened in Bosnia would not occur again—seconded by British prime minister Blair, then president of the EU—over 100,000 inhabitants of Kosovo were roaming the woods and whole towns were set light to. These events spurred NATO to study military action. The alliance limited its action to reconnaissance flights as part of Operation «Determined Falcon» in which Spanish aircraft took part. The UN secretary-general was reproachful of this attitude, pointing out that it was dangerous to intervene without the backing of the UN, a view shared by the Spanish foreign minister at the Cardiff summit.

In summer, the Fifteen refused to negotiate a ceasefire with the UCK guerrilla, reiterating their support for Mr Rugova and, once again, their opposition to Kosovo being granted independence. According to Greece, the secession of Kosovo would be the spark that would kindle conflict in Macedonia or Vojvodina, with unforeseeable consequences.

When summer was over NATO, fearing a «human disaster», again planned to use force. At the time, the resistance being put up by the guerrilla was coming to an end, after the Serbs conquered Junik, the separatists' last stronghold. However, it can be said that this turn of events was largely due to the UCK's own errors, such as attempting to neutralise Mr Rugova, who had proposed unsuccessfully that Kosovo become an international protectorate, and to conquer Orahovac; a further error was to declare it would begin operations in Macedonia which, together with Kosovo and Albania, should make up the great Albania. By alluding to Macedonia, the separatists wished to give the impression that the conflict would unavoidably spread, thus provoking NATO intervention. What they did not realise is that the West would react by reconsidering its plans for military intervention, thus giving the «go-ahead» to Serb cleansing operations. Later, in an attempt to halt the orgy of blood and fire, US secretary of State Madeleine Albright, NATO and the architect of the Dayton agreements, Mr Hol-

brooke, relaunched the threat of military intervention, though in the knowledge that without Russia's consent and without the Security Council mandate it was impossible to carry out. For this reason Mr Milosevic did not keep his word or promises.

Nonetheless, as a result of NATO's firm decision to begin air operations, Mr Holbrooke managed to get Mr Milosevic to agree in Belgrade to withdraw his forces and to allow international inspectors to verify this withdrawal, which by all accounts has been completed. However, NATO, at Macedonia's request, will deploy forces in that country.

Despite the foregoing, it can be said that in the medium term, the solution will involve redefining the Yugoslavian framework of states, since Mr Milosevic is less fearful of the problem in that province than of political developments in Montenegro, which controls the Serbian coast that is the route for trade to and from Belgrade. In order to keep up the fiction that Yugoslavia continued to exist, Montenegro was granted excessive privileges in 1992, such as almost a third of the seats in Serbia's lower house and half of those in the upper house. This enables the current president of this republic to block any attempts by Mr Milosevic to reform the constitution to the disadvantage of the region and to reinforce his power. He is thus more dangerous than those of Bosnia and Kosovo.

There is no doubt that Montenegro will not agree to relinquishing its current status of almost a sovereign state to become a mere province as it was until 1941, and it is therefore holding on to its trump card which is ownership of the only Adriatic coast—something essential to Belgrade.

In December, Washington accused Mr Milosevic of being the cause of, rather than the solution to, the crisis in south east Europe, while Mr Milosevic regarded the international mediators' solution to allow the UCK command to take part in the peace negotiations as a «gross attack on Yugoslavia».

THE TURKISH DILEMMA

At the beginning of the year the Turkish government gave cause for concern with its decision to try former minister Erkeban and five leaders of the by then outlawed Welfare Party, who were charged with inciting the Turkish society to rebellion and banned from belonging to any association and from being parliamentarians for five years. As a result, thousands of

supporters took to the streets, though, as the accused intend, the European Court of Human Rights may refute the ruling, as it did when it condemned the disbandment of the Unified Communist Party two weeks after the Welfare party was outlawed, for violating article 11 of the European Convention on Human Rights which authorises freedom of association.

Islam in Turkey was relegated by Ataturk to a mere historical reference as it hindered secularisation and, as such, it has no place in political and legislative life. Islam supporters in Algeria and the rest of the Muslim world want political life to be governed by religious precepts or by the Koran, but without laws to develop it. But in certain countries, such as Algeria or Syria, the military did not support Islam since, although it could be, or has been, adopted democratically, they knew it would mean the end of democracy once the Islamic parties were in power and consequently, the end of the privileges the military enjoy in those countries.

In this context, the approval in parliament of the proposal to hold legislative and local elections next 18 April, two years early, led the Islamic activists regrouped under the Virtue Party to again achieve a majority. This gave rise to new concerns about the country's future and the possibility of a reaction by the armed forces.

Turkey's relations with the EU did not improve during the year. Indeed, Ankara did not send a delegation to Brussels to renew the talks which had been at a standstill since the previous December, when Turkey had accused the Fifteen of ambiguity in their statements and proposals. The situation was further worsened by the incident of the Greek veto on Turkey's receiving the 400 million dollars established by the Customs Union Treaty, which had injured Turkish pride.

In this connection, during President Demirel's visit to Spain in March, HM The King expressed his support for Turkey's membership of the EU, stating that he was aware of the country's wish to take part in the achievement of a united Europe and that Spain acknowledged, without reservations, Turkey's orientation towards Europe and legitimate aspirations of integration, and applied the same criteria as for other candidates; the national press linked this trip, partly, to the sale of weapons, provoking conflicting reactions.

Similarly, the Kurdish problem constantly made the headlines in 1998, particularly after the scene of operations shifted to the north of Iraq. This conflict is kept alive by the precarious economic and social conditions in south east Anatolia. Turkey is thus preparing to implement the GAP pro-

ject in the area, which entails building 35 reservoirs and hydroelectric power stations in order to industrialise and develop the farming sector, ensuring competitiveness, and to raise the standard of living of the Kurds. However, this project has a negative impact on Syria and Iraq. The arrest of Kurd leader Ocalan in Italy marred relations between the latter and Turkey when Rome refused to grant extradition.

Another serious problem which hangs over Turkish politics is the division of Cyprus. Tension mounted in 1998 when President Demirel announced that the EU's decision to open negotiations with the Greek Cypriots had put paid to the possibility of reunification and that acknowledging only that government was the wrong way to go about holding talks. This undoubtedly led Turkey and the Turkish Cypriot government—which is not internationally recognised but controls 37% of the island and accounts for 20% of its population—to lay the foundations for political and economic integration and to join forces to press the international bodies for self-government.

This lengthy conflict with Turkey and its likely accession to the EU made the Greek zone the focus of campaigning for the presidential election, which was won by the conservative Mr Clerides, who was already in power. The predominate concern in this election was not so much a question of ideology but rather of the candidates' capacity to negotiate with Ankara on the forming of a federal state, EU membership and participation in a joint programme with Greece. There is no doubt that for years this conflict has been poisoning the envisaged enlargement of the EU and was the reason for Turkey's absence from the aforementioned March meeting set up especially to address this issue. It gives cause for concern, not only because it is isolating the country in a dangerous vacuum in Europe, owing to its convergence problems, but also because of its capacity to hinder Cyprus's accession. It should not be forgotten that Athens has threatened to veto the intended enlargement if the EU agrees to Turkey's aims, and that this warning finally prevailed. Turkey's proposal to set up a confederation of «two states» on the island was not accepted by the Greek government, which considered that such a measure would drag division on eternally, provide an institutional framework for the occupation of the northern zone and would not be in accordance with the United Nations' proposal to settle the dispute. However, Greece was hardly seeking to settle the conflict when it allowed the Kurdish PKK to establish an office on Greek soil.

Greece claims that it is not opposed to the role Turkey should play in Europe, since ethnic or religious barriers should not be established; rather, if the Turks reckon they have rights over the Aegean Sea, they should take their case to the International Court of Justice, as Greece did.

A HARD YEAR FOR RUSSIA AND ITS NEIGHBOURS

Although the economic programme designed by Mr Yeltsin to achieve sustained growth in 1998 included twelve basic goals, it was rejected by the Duma owing to the difficulties in raising the taxes needed to attain those objectives and, also, because they were unrealistic bearing in mind the state of the country's economy; the programmes and budgets, which entailed cuts of 4.6 billion dollars, were thus not passed for the time being.

In view of this adversity, Mr Yeltsin did not hesitate to dismiss his entire cabinet in March, arguing that it was necessary to deepen reforms and improve the population's standard of living. The West wondered if this would be a new window-dressing ploy to shake off the crisis no matter how, or a manoeuvre with more long-term implications.

The appointment of Mr Kiriyenko, a 35 year old technocrat, as head of the executive at the end of the month and a harsh warning to the Duma not to reject this designation seemed to settle the political crisis. The government was faced with the task of putting an end to capital flight; paying the wages arrears to the military and civil servants; swelling the coffers of the state, which, in 1997, only managed to raise 57% of the taxes budgeted; bolstering the country's GDP, which had slumped by 50% since the collapse of the USSR; and providing guarantees to foreign investors, among other objectives. These excellent plans seemed to ignore the fact that there were little or no resources available for the task. Paradoxically, the programme was presented before Mr Kiriyenko's appointment was ratified by the Duma, which was dominated by communists and nationalists who opposed both the president and his reforms.

The ratification process became a duel between Mr Yeltsin and the state assembly. It was rejected twice successively, owing largely to figures such as Mr Berezovski, who had been the president's mainstay until two years previously but had turned into an opponent on learning of the privatisation conditions of the main state-owned petrol company hitherto under his charge.

The president's threat of new elections made the members of parlia-

ment think twice, realising they stood to lose their juicy emoluments and privileges, from their dachas to official cars. Mr Kiriyenko thus came to power third time round, though Mr Yeltsin made it very clear who ruled Russia and believed that, by placing a loyal and manageable prime minister in office, he was paving the way for the presidential elections in 2000. General Lebed, currently fuelling his ambitions as governor of the vast Siberian region of Krasnoyarsk, the country's electoral barometer, is a likely candidate in these elections.

The opponents who came out of this crisis the worst were communist Zyuganov, the aforementioned Berezovski and Mr Chernomyrdin, the director of a huge economic empire based on the monopoly of state companies, while Mr Yirinovski, an extreme nationalist, had not objected to the appointment. But what the young technocrat needed to bear in mind was that in 1992 Mr Yeltsin had begun to do away with the old political system, and that the country's future was increasingly determined not by the interaction of reformers and communists, but by a struggle for real power between the different economic forces who were the arbiters of politics as they funded campaigns, granted privileges and controlled the media.

When Russia was plunged into a deep financial and economic crisis, it was thought that salvation could only come from western and IMF aid for, if it were not received, the social environment, almost collapsing under the strain as evidenced by the miners' strikes in May, could have caused the system to fall apart as had occurred in Indonesia, where Mr Suharto had been forced to step down from power. Therefore, in order to prevent bankruptcy, the IMF decided to hand over the 670 million dollar package which, though granted, had been frozen since January, while Mr Chunais, the father of privatisation and of whom too much was expected, was appointed deputy prime minister. His programmes aimed to raise more taxes, eliminate fraud, cut public spending by 7 billion dollars, adopt a new tax system, streamline government bureaucracy and save the rouble from devaluation, among other objectives, while the West, which had by then committed 72 billion dollars, grew tired of granting loans. But the spectre of nuclear warheads, together with the threat of possible social turmoil, spurred the IMF to hand over almost three trillion pesetas.

The Moscow stock market took another sharp fall in August as a result of fear of devaluation of the rouble and the flight of foreign capital, as investors became convinced that the IMF money was only used to plug holes rather than being injected into the economy. This, together with the

depreciation of the yen, led investors to take refuge in the dollar, which strengthened as a result, while the G7 issued warnings to no avail. Later that month, the rouble was devaluated by 30% and repayment of Russian debt, which stood at some 28.7 trillion pesetas, was suspended for 90 days. The United States criticised this devaluation and recommended that other economies in the area should not follow suit. However, although risky, it was a correct measure in view of the depletion of the national monetary reserves which were being poured into maintaining the currency artificially high.

As expected, August witnessed the fall of Mr Kiriyenko's government, which had proved incapable of putting the economy it had inherited into shape. Mr Kiriyenko was replaced by Mr Chernomyrdin—a move which did not go down well with the public, who remembered his disastrous government policy. Indeed, even before his appointment had been confirmed by the Duma, he introduced new price control measures, issued new currency without knowing what it would be worth the following day and went back on the reforms by renationalising the banking sector, while Mr Chubais, the previous reformer and negotiator with the IMF, was dismissed.

This chaos led Mr Yeltsin to cede part of his power and prerogatives to the Duma and the government in issues such as dismissing ministers. Meanwhile, Mr Chernomyrdin was rejected by the houses, who did however accept his successor, foreign minister Primakov. The political climate having cooled down somewhat, the Kosovo crisis provided breathing space to the seriously ill Mr Yeltsin, who again claimed that NATO's non intervention was largely due to him. But the reality at year end is that the crisis is slowly worsening, Mr Yeltsin is in hospital and the president of the IMF left Moscow without offering assistance.

As for foreign policy, Russia sought to play a leading role in the Iraqi crisis at the beginning of the year, attempting to convince the world that the situation was largely resolved due to its diplomatic intervention. Later, at a meeting with Mr Kohl and President Chirac, Mr Yeltsin proposed setting up a Paris-Moscow-Bonn axis, an idea which the European statesmen did not applaud.

In his visit to Japan, the president undertook to sign a peace treaty before 2000, though certain problems need to be solved in order for relations to be cordial, such as the dispute over the sovereignty of the Kuril Islands in the south, which were occupied by the USSR in 1945 and have

been repeatedly claimed by Tokyo.

As for its sphere of influence, Russia is currently trying to define its vital interests, declaring two scenarios, Europe and the Middle East as far as Pakistan, to be priorities, since whatever occurs in those areas has repercussions on Russian territory. Russia will find it difficult to secure more than a modest influence over the CIS since, as witnessed at the 1997 summit, the member countries are calling for a revamp of the current community machinery which they regard as useless and ineffective, given the wide variety of interests. While some consider it an unsatisfactory framework, others believe it should be a melting pot for integration. According to Russia, these points of view are none other than a «plot» to break up the community, as it stressed at the summit of presidents of the Asian republics in January 1998.

A problem that Russia has yet to assimilate is that of **the Baltic states**, which are going through a difficult transition period. Of the three republics, Lithuania gives Moscow least cause for concern. In Latvia, where the ethnic issue is more prominent—40% of the population are Russian speakers, compared with 57% of Latvians—the failure of the integration policy seemed to be overcome in 1998 when integration advocates won the referendum held in October, a fact which will facilitate the country's accession to NATO and the EU. For its part, Estonia does not have any integration problems, though relations with Russia continue to be tense and no border treaty has yet been signed.

A particularly sensitive area for Russia is the **Caucasus**, where there is a hotchpotch of nationalist groups, ethnic and religious rivalry and, above all, a conflict of economic interests. Although **Chechnya** seemed to be on the way to achieving peace at the end of 1996, relations deteriorated in May when the Chechen government put an end to its negotiations with Russia, which had failed to comply with the terms agreed. The Chechen president refused to guarantee the security of the Baku-Novorossisk oil pipeline which runs for 153 km across this secessionist territory, even though this entails a loss of income for the new state.

In **Georgia**, a second assassination attempt was carried out on President Shevardnadze. Some held former president Mr Gamanjundin responsible, while others suspected Russia. Although Mr Shevardnadze intends to make his country the focal point of Caucasian policy through an alliance with Ukraine and Azerbaijan, Georgia's complex relations with Russia regarding oil are hampering this. While Moscow wants all the Caspian oil

to be channelled along a pipeline with Novorossisk as terminal, Georgia has recently signed international contracts whereby part of the crude oil will be transferred by pipeline to Sujumi, the Georgian Black Sea coast.

Furthermore, the Georgian political scene continues to be dominated by two pressing problems: the self-proclaimed republic of Abkhazia, the separatist area which Georgia accuses of receiving Russian support, as evidenced by the unilateral withdrawal of the Russian forces stationed there under UN mandate; and the secessionist region of south Ossetia, where the negotiations to put an end to the conflict seem to have come to a standstill—a fact which shows the lack of a regional policy.

In **Armenia**, the resignation of President Ter-Petrosian during the year jeopardised the peace process in Nagorno-Karabakh, as it afforded more power to the prime minister, who firmly opposes the peace negotiations.

Azerbaijan is the Caucasian country with the best future prospects if it continues to monopolise oil and gas production in the area. The problem of getting the oil out of the country was thought to be settled in 1998 with the new pipeline that runs through Georgia, thus avoiding the need to use Novorossisk as a terminal since, until the Nagorno-Karabakh conflict is resolved, Turkey cannot be used as a terminal because the pipeline would have to cross Armenia. The dispute with Russia continues over the status of the waters of the Caspian Sea, for while Azerbaijan and Turkmenistan are in favour of considering them high seas, Russia and Iran demand they be regarded as territorial waters.

The new Central Asian republics forged ahead in 1998, asserting the independence they had not wished for and shedding the too recent past in which they endured sacrifices in the interests of the former Soviet Union's economy and defence.

Despite its apparently brilliant foreign policy, **Kazakhstan** witnessed the deterioration of its social environment and the relationships between the different ethnic groups on account of a law reinforcing the role of the Kazak language, which is encouraging the Russian-speaking population to emigrate. Spain decided to open its first Central Asian embassy in this country.

For its part, **Turkmenistan** continues to be totally under the sway of President Nyazov, who refuses to enter into conflict with the Taliban as they are needed to carry out the work on the oil pipeline which is planned to cross Afghanistan. The project to build a new pipeline towards the

Indian Ocean which could link up with Turkey was rejected by the United States since it would require investments in Iran.

Uzbekistan, which regards itself as the heir to the Tamerlane empire and aspires to become the dominant regional power, continued with its rapprochement towards the United States, shifting away from Russia. It also increased its trade flows with South Korea and Japan, while easing trade relations with the CIS and emerging as a firm enemy of the Taliban.

Tajikistan ended its civil war and found itself obliged to remain within Russia's sphere of influence as a member of the monetary union to which Russia, Belarus and Kazakhstan belong, though in 1998 it had not yet ratified it. This is a clear sign of its reluctance to become excessively dependent on Moscow.

Relations with **Ukraine** continue to be stormy. At 1998 year end the treaty putting an end to the dispute over the Black Sea Fleet and the status of the naval bases of Feodosiya and Sevastopol had not yet been ratified. Although it was the first CIS country to adhere to the NATO Partnership for Peace programme, its policy this year has fluctuated, since, in order to attract the vote of Crimean Russians, Ukraine hastily signed an agreement with Moscow to boost political consultation and trade. Whatever the case, it appears to be unstable owing to the constant power struggle between the big industrial clans of the Don and Dnieper river basins. Although the groups from the Don have disappeared from the political scene, as witnessed in the May elections, the battle is currently being waged within the Dnieper group, from which all the ministers and over 200 senior officials hail. A huge deficit is expected to appear in the 1998-99 financial year.

In **Belarus** the personal power of the president was consolidated throughout the year. His politics arouse the suspicion of Moscow's neo-liberal circles, who accuse him of subjecting the country to obsessive economic interventionism.

MEDITERRANEAN AFRICA—FANATICISM AND STABILITY

Two countries, **Algeria** and **Morocco**, played a particularly prominent role in affairs in the Muslim areas of the Mediterranean.

Owing to the secrecy and total misinformation that characterise the National Liberation Front, which merely implements the guidelines esta-

blished by the armed forces in **Algeria**, it is difficult to evaluate the true state of affairs regarding fundamentalism.

The major problem of how to achieve democratisation continued to be unresolved in 1998. For some, it will only be achieved if fundamentalism is neutralised, while for others, it is vital to establish a system of alternation, even if this initially benefits the fundamentalists. But the fact is that only three groups carry any weight in Algeria: the FAS, who are keen to hold on to their domination; the FIS, who seek to supplant them through violence; and the socialist FFS who believe that power should be allocated through electoral means; the rest are an indistinct opposition which fails to engage popular support.

The year began with 600 killings in the first week of Ramadan, the highest figure since 1992 when the conflict erupted. This rocked the Muslim world, which considered it blasphemous to carry out such actions at that time of the year and appealed to the EU and to the United States to send a commission. Algeria interpreted this request as interference in its internal affairs, though it did agree to the visit of an EU «troika», which merely ga-thered information with a view to sending subsequent aid. The authorities were, however, totally uncooperative and unforthcoming and indeed, spurred on by the press, they accused France, Sweden and the United Kingdom of allowing FIS terrorist havens in their respective territories.

In view of the scanty results obtained, the Fifteen announced that a European Parliament delegation would be visiting Algeria. The delegation fared no better, refusing to receive a message from the FIS so as not to spark any further tension.

The existence of these Islamic networks in Europe should not be confused with the Muslim presence in the continent, which is giving rise to a certain amount of concern among the population about a more than likely wave of immigration from the South. The problem lies in the fact that, whereas other minorities became integrated, acquiring full rights after centuries of conflicts, the Muslim presence goes back only two or three generations; even though the most recent generations, who were born in Europe, have partly absorbed European culture and the way of life, it is too soon for their religious, ethnic and mental references to have evolved and adapted to the western environment in which they live. Nonetheless, there new generations who are settled in Europe are endeavouring little by little to free themselves of any form of religious dependence and are even giving

rise to a lay Islamic culture that will contribute to the building of the new Europe.

Months after the visit of the Euro MPs, a UN mission headed by Mario Soares landed in Algiers. It made some progress in discovering part of what was going on in the country, since it was allowed to visit the areas where the killings had taken place.

The murder of a charismatic Berber singer triggered off serious rioting among the Berber population whose feelings were already running high following the executive's decision to impose the language of the Koran—Arabic—throughout the country, forgetting that it was introduced only in 1963 when the country gained its independence. Most Algerians aged between 30 and 60 have scarcely any knowledge of the language of the Koran, as French is more widely used; by contrast, in Kalibia, the Berber area, French is hardly spoken, and the inhabitants demand respect for their language and cultural identity which date back more than 13 centuries.

An important fact uncovered by the press was the power struggle within the armed forces, specifically, the open rivalry between General Lamari, the chief of the general staff, and General Betchine, security adviser to President Zeroual. This was none other than a manifestation of the dispute over who would stand for the next elections, which the president unexpectedly announced for 1999, the true reasons for which are unknown. General Betchine, tired of the constant harassment, withdrew from the fight in autumn, leaving the field clear for his rival, though there is also a good chance that a civilian will become head of state. Nonetheless, his resignation caused perplexity, indicating that there is a power struggle to find a credible candidate who satisfies all the parties concerned.

Morocco. It is considered that the appeal made to the king in January by the radical fundamentalists, whose leader had been held in house arrest for eight years for denying to recognise the monarch's religious authority and for calling for the opening of the country to prevent a situation similar to the one in Algeria from developing, may have been what led Hassan II one month later to undertake to establish and consolidate a democratic, pluralistic regime based on the monarchy. The king is aware that the future of Morocco hinges on his succession and on the consolidation of democracy, and also on the opposition's support for a new constitution establishing a bicameral system, and that the moderate Islamists decided to take part in the political game in the so-called «transparent» elections of

1997.

These reasons led Hassan II to take an historic decision—that of entrusting the socialist Yousoufi, who had spent most of his life in exile, with the task of forming a government, thus putting an end to an uncertain situation which had been dragging on since the previous year's elections. The Istiqlal nationalist party did not form part of the executive, since they considered that the election results had been rigged, though the king had counted on this manifest enmity between that conservative party and the socialists. Indeed, the king had demonstrated his wish to see the country grow with three main blocks—the conservatives, the centre and a tolerant and constructive left.

Although during the first part of the year Mr Yousoufi found it difficult to fulfil his electoral promises, such as the one relating to human rights, by autumn he had overcome these problems and managed to free «sheikh» Yasin, the leader of the «Justice and Charity» fundamentalists and one of the main champions of human rights. Mr Filali subsequently stated in Madrid that within six months no political prisoners would be left in Morocco.

This was the climate for the fourth Hispano-Moroccan high-level summit held in Rabat in April. The issue of Ceuta and Melilla was pigeonholed, but the forthcoming referendum on the Sahara was discussed, and Spain said it would remain strictly neutral. The Spanish premier took the opportunity to address the new fisheries agreement with the EU, which will affect over 500 Spanish vessels when the present one expires in a year and a half's time.

The future of the Sahara is a conflictive issue in which economic and geopolitical interests come into play, for it is a priority area for European security. It also directly involves Algeria, with which Morocco is basically vying for domination of the region. Spain is affected by the dispute since the Canary Islands are located in the area.

The UN mission in charge of organising and supervising a referendum initially slated for December 1998 and subsequently postponed set about taking a census, identifying 147,350 would-be voters on both sides of the border. It made the serious mistake of allowing the Polisario Front and Rabat to submit lists of possible voters, when it is known that each side will try to tailor the census to its own aims and has its own interpretation of the peace programme, which varies from self-determination and inde-

pendence to integration into Morocco as a region with wide autonomy.

So as not to damage relations with Rabat, Spain adopted an attitude of constraint, while the Arab League and OAU turned their gaze elsewhere (Middle East, Sudan, former Zaire). At the OAU summit held in Burkina Faso in the middle of the year, Hassan II tried to convince the organisation to expel the Saharawi Republic, which is recognised by 31 African countries. No agreement was reached, and Rabat continued to be deaf to Mr Mandela's pleas, while encouraging the formation of a Saharawi nationalist party, even though regionalist groups are banned in the kingdom. This was yet another ploy to ensure a favourable outcome for Morocco in the territorial dispute. Kofi Annan's visit to the area to break the deadlock on the peace plan did not seem to please Morocco, which distrusts the lists drawn up by MINURSO and has warned that the plan could trigger off disturbances in the Sahara.

The political scene in **Egypt**, which is controlled by Mubarak's National Democratic Party, was affected by permanent clashes with Islamic militants of the South, the crackdown on its political arm «Muslim Brotherhood» and the socio-economic problems arising from the liberalisation of public companies.

The security forces have clamped down on fundamentalist terrorism by setting up a tourist police force. The apparent tranquillity witnessed during the year—compared to the tragic events in 1997—evidences that, although it remains, the problem is well under control and limited to two regions in Upper Egypt.

Nonetheless, a number of factors will contribute over time to weakening terrorism under its current form: its growing unpopularity; the harshness of the crackdown, based on a state of emergency in force for 30 years; the emergence of a new party which splintered off from the «Muslim Brotherhood», is non-denominational, pluralistic and western-style, undertakes to respect the current constitution and regards Islam more as a culture than a religious denomination; and lastly, the policy of making concessions to the official religious authorities of Al Azhar, withdrawing works and publications that constitute an attack on religion and good habits.

In 1998, despite the country's considerable amount of bad debts to Spanish companies, Spain renewed its talks and high-level contacts with **Libya**, practically deadlocked since 1994. In addition, Libya and Italy clo-

sed the wounds of their colonial past by signing an agreement in July on terrorism and allowing the return of 20,000 former colonists expelled by Colonel Quadaffi in 1970.

Lastly, it should be recalled that Spain asked NATO to pay more attention to the **Maghreb**, since dialogue with the Mediterranean South is just as important as talks with Eastern Europe. At the Luxembourg meeting our premier announced that a seminar would be held in Valencia in 1999 in which the NATO countries and six from the Mediterranean basin would take part. For the time being, Egypt and Algeria will not attend the meeting, though the former has renewed its contacts by carrying out naval manoeuvres in October with NATO marines.

THE MIDDLE EAST, A PERMANENT SOURCE OF TENSION, RIVALRY AND CONFLICT

Throughout 1998 the Middle East was affected by major tensions, conflicts and clashes of very different interests. The eternal problem of Palestine and Israel continued to suffer ups and downs. In Afghanistan, civil war drew on, with a clear advantage for the Taliban and possible repercussions on the Central Asian countries. In Iran, the struggle between reformists and radical conservatives intensified, while in Iraq a second crisis with the US erupted and could have led to a new war. Jordan and Saudi Arabia faced the question of succession of their respective monarchies, and the rapprochement between Turkey and Israel, which involves four countries, is having negative repercussions on Syria. These are just some of the obvious examples of the complexity of affairs in the area.

As for the **Palestinian conflict**, it should be pointed out that Israeli nationalism has not proved itself to be any different from other nationalist movements, since its exponents do not hesitate to deny others what they themselves claim, convinced of their legitimate right to the land of their forefathers as accorded by the Bible. That is why, since 1945, Israel has pursued the political and strategic goal of keeping its borders as wide as possible, seeming to ignore that in a globalised world borders have lost much of their value as they must be permeable to economic and migratory flows and streams of ideas. Its successive annexation wars have been a source of misfortune for the Jews, ever since the occupation sowed the seeds of colonisation. This was accepted by the different governments,

who were under pressure from «hawks» such as Dayan, Igal Alon and Sharon, from the Labour Party—who, until 1977 remained loyal to the theory of not abandoning the conquered land—to the Conservatives of Likud. However, in 1993, former nationalists such as Shimon Peres and Yitzac Rabin became convinced that it was necessary to put an end to the conflict with the Palestinians, thus giving rise to two trends in Jewish society: those in favour of understanding and territorial compromise, and the extremist advocates of annexation, whose stance is orthodox and intransigent. The latter not only deny the existence of the Palestinian nationalist movement, but also think that acceptance of a dual legitimacy would undermine the very foundations of Zionism, since the Arab Palestinians have rights as individuals but not as a group. It was thus not considered that they could eventually harbour aspirations of autonomy and independence—a right which is recognised in the Oslo agreements.

The Peace Process had thus come to a halt in March the previous year and the efforts of the EU's special envoy to the area, Spaniard Moratinos, had been neutralised when Tel Aviv approved a list of vital interests for keeping 80% of the occupied territories within the West Bank. These efforts were stepped up when, in January, Mr Netanyahu did not yield to the tentative pressure of Mr Clinton, who attempted to persuade him to divide the second withdrawal into stages, with an initial hand-over of 13% of the annexed areas, which would have facilitated Mr Arafat's return to the negotiating table.

When Mr Netanyahu visited Madrid not long after the Palestinian leader, he accused the EU of being closer in its stance to Palestine interests and announced that he would like to hold a meeting with Mr Arafat in Madrid. He also promised to withdraw forces from the security zone in the south of Lebanon, which was occupied in 1985, if Beirut provided sufficient guarantees. This withdrawal was partially carried out in April, thus fulfilling one of the United Nations Resolutions. It was a unilateral decision, since Syria announced that it would withdraw from Lebanon if Israel did so from the Golan Heights.

Mr Netanyahu's intransigence, which did not ease even when Mr Weizman, who opposed his policy, was re-elected president or when the Palestinian leader showed a lenient attitude towards the Hamas' terrorist attacks, proved how difficult it was to reach an understanding. Nor was it clear that the colonisation policy was going to be put on ice, even though the process does not stem from a demographic need, but rather from a

nationalist political aim.

The failure of the meeting of the two leaders in London, which was backed by Washington and raised many expectations—though Egypt expressed its pessimism at the fifth Mediterranean Forum held in Palma de Mallorca—seemed to confirm that the schedule drawn up at Oslo had come to a standstill and was hanging in shreds.

The United States attempted to give fresh impetus to the talks by organising the Washington meetings. Tel Aviv submitted a new plan to hand over 9 or 10% and convert a further 3 or 4% of the ceded territories into a Palestinian industrial area under Israeli control in security matters. Mr Arafat, who did not talk personally to his rival, rejected this proposal. Mean-while in Israel, demonstrations to mark the 50th anniversary of the Palestinians' exodus that began when the 1948 war ended were suppressed.

In the summer, while Mr Netanyahu overcame three votes of censure and a parliament bill to dissolve the government and bring forward the elections due to be held in 2000, since the date was not binding, the other side saw the resignation of two Palestinian ministers following a cabinet reshuffle in which Mr Arafat had kept on two former colleagues from his period of exile in Tunisia. A curious fact about the Palestinian government is that it has 30 portfolios—more even than China. At the same time, Mr Arafat announced that if withdrawal did not take place within the established period, he was determined to found an independent state in 1999.

Yet another attempt at reaching an understanding succeeded in October, when President Clinton managed to persuade the two leaders to meet at the Wye Plantation near Washington in a new version of the Camp David negotiations that led to the establishment of peace between Egypt and Israel in 1979. The meeting commenced amid an atmosphere of tension and distrust and after nine days of talks an agreement was signed, which can basically be summed up as «land for security». Israel agreed to withdraw from 13% of the West Bank, though crucial problems were left unresolved, such as the future of Jerusalem, settlement policy, rights of refugees, and ports and airports, among others. The agreement was therefore not satisfactory for either of the parties and implementation even looked doubtful. The grave attack by Hamas, on 6 November, which de-layed the implementation of the agreement, drew attention to the fact that the problem continued to be practically at a standstill. Although the Israeli parliament approved the agreement, the process again came to a

halt in December as a result of bloody clashes and because of certain parts of the agreement dealing with release of prisoners, expansion of settlements, etc. Tel Aviv made withdrawal conditional on its own terms. This was rejected by Mr Arafat, and tension thus mounted shortly before Mr Clinton's arrival.

Bill Clinton's visit to Israel and Palestine in December, amid considerable street violence, achieved scanty results. Israel did not waver, even though the US president promised to grant the country \$1.2 billion if it fulfilled the Wye accords, and Mr Arafat, for his part, stated he was prepared to honour his commitments in Gaza.

A further cause for concern in the region is the **Turkish-Israeli alliance** established in 1995. Little publicity has been given to this alliance, as it alters the power balance in the area. As far as Turkey is concerned, this move can be explained by the loss of its privileged position with NATO vis-à-vis Russia and a possible fundamentalist Middle East. These reasons have led Turkey to play a new role, becoming a regional power, whose security is endangered by fundamentalism. Its alliance with Israel furthermore secures it the support of the Jewish lobby group in the US Congress, which today also acts as Ankara's spokesman in the United States. The alliance is likewise highly favourable for Israel, since it poses a threat to Syria in the north.

It is a well-known fact that **relations between Turkey and Syria** have always been tense owing to Syria's support for the Kurdish PKK. This led Turkey to issue serious warnings in October, and a new armed conflict threatened to erupt. The situation was soon resolved, when President Hafez Assad promised not to supply weapons or money and to keep the PKK under control, thus guaranteeing security at the borders.

Syria, for its part, is concerned by Turkey's GAP project for Anatolia since it affects the course of the river Euphrates which begins in Turkey and flows through Syria and Iraq. Although a treaty concerning these waters was signed in 1987, Syria's fear became apparent in 1990 when the Ataturk dam was filled; moreover, when the works are completed, in around 2010, the volume of water flowing through Syrian territory will be halved, while Iraq will lose a third. The water will furthermore be of low quality owing to the fertilisers and pesticides used to boost the agricultural development of south east Anatolia.

The state of **relations between Syria and Israel** likewise continues to

be poor, owing to the agreement signed in 1996 between President Assad and Yitzhak Rabin whereby the latter was to withdraw forces from the Golan Heights along the line of the June 1967 ceasefire and to comply with Washington's security recommendations which Israel had accepted in 1995. Mr Netanyahu demands that two conditions be met, the first being that an early warning station be kept in the Golan Heights, once the territory is returned, and that Syria install another in Israel. Syria believes this request to be unnecessary, since Tel Aviv obtains a variety of information from American satellites. The other condition is that, since the water supply to the Golan Heights comes from Turkey and accounts for almost a third of the country's consumption, Turkey be included in the negotiations. Ankara, however, refuses to participate as it considers that the problem does not affect Turkey.

Iraq's refusal to allow the UN team of inspectors to carry on with their work in October 1997 triggered a serious crisis in January, placing the world on the verge of another Gulf war. The situation worsened when Saddam Hussein reacted to the chief of UNSCOM's accusation that Iraq had weapons of mass destruction by deciding to expel all American inspectors from the country and to put a stop to the inspections. This measure led Washington to deploy large military contingents of naval, land and air forces, though it did not succeed in rebuilding the former coalition, and the mounting tension led to a meeting of the French, US and Russian foreign ministers in Paris. At the end of the meeting, Mr Primakov announced that Iraq agreed to the return of all the inspectors, including the Americans, thus warding off the threat of military action, though the crisis did not automatically die down. The Spanish government expressed its support for the Security Council's decisions, stating that it had no objections to Spanish bases being used.

This tense climate saw a stream of declarations: Riyadh implied that it would support an attack on Saddam Hussein; Israel stated its right to counterattack if it were targeted by Iraqi Scud missiles; Russia insisted that aggression towards Iraq would amount to an attack on Russia's vital interests and could trigger a third world war. However, it was not so much a problem of whether or not to attack as what to do in the wake of what was a much simpler crisis than that of 90-91, as this time no country had been invaded.

At the end of February, UN Secretary-General Kofi Annan visited Baghdad to hand over the Security Council's conditions: no presidential palace

could be a haven; UNSCOM's work could not be limited in time and space; and the Security Council should be free to form teams of inspectors without discriminating against American members. The whole world breathed a sigh of relief when Mr Annan achieved an agreement based on those conditions. Mr Clinton accepted the agreement but did not lower his guard until the conditions were seen to be fulfilled.

But it was precisely during those days that it was known that the UN agencies FAO, WHO and UNICEF had allowed medical products that could be used to develop the feared anthrax to be sold to Iraq, and that Germany and France had collaborated technologically with Iraq in the development of chemical weapons and in broadening the range of Soviet Scud missiles. Indeed, President Bush had not only blocked the passage through Congress of sanctions on Iraq but had also granted the country a new credit line. Only when Saddam Hussein occupied Kuwait did Iraq's chemical arsenal become cause for alarm in the Pentagon, and the Bathist regime was seen as a *bête noire* that had to be put in its place.

Although Saddam Hussein's position was strengthened by the crisis, the real victor was Mr Annan, since he obliged the Iraqi leader to go back to square one without guaranteeing the lifting of the sanctions.

While Mr Annan was conducting his mission, the US army War School issued a report stating that the strategy of dual contention regarding Iran and Iraq made the region chronically unstable and that Washington would be better advised to co-operate with all the countries in the area in order to increase stability and cut the costs of large-scale military deployment.

In spring, the Pentagon eased its military pressure in the Gulf area, while the UN and Baghdad agreed on completing the inspections within a two-month period. These good intentions vanished into thin air when it was discovered that at some point 95 missiles had been loaded with the lethal nerve gas VX. The crisis, which had not completely died down, again flared up towards the end of the year when Saddam Hussein once more refused to collaborate with UNSCOM unless it reconsidered lifting the embargo and changing the composition of the international commission. The rattling of sabres was once again heard, though Iraq's manoeuvre regarding the UN obliged Mr Clinton to rule out the use of force.

In 1998 the political scene in **Iran** was dominated by echoes and consequences of the presidential elections that brought Mr Khatami to power, while the failure of the radical clergy and the importance of women's vote

became evident. The new president, who controls the executive and legislative powers but not the judiciary or the Council of Guardians—which is in the hands of the spiritual guide and head of state, Ayatollah Khamenei, who continues to be the highest arbiter of the regime and enforcer of Islamic law—is attempting to reconcile religion to modernity, preventing the Koran and Islamic moral code from clashing with individual freedoms, human rights and other such principles. This is a very difficult task.

As regards external relations, the rapprochement between Russia and Egypt was consolidated during the year, as was the reconciliation of the Gulf monarchies. Relations with Syria were stable, while the situation with Turkey did not improve, despite an agreement on gas supplies. Iran cautiously monitors the developments of the civil war in Afghanistan that caused tension to mount at the border in late summer, and does not rule out the possibility of intervention. This situation, together with the appeal for dialogue with Washington launched by President Khatami at the summit of the Organisation of the Islamic Conference—to which the US secretary of state responded favourably, praising the Iranian president for apologising for taking hostages in 1979—seems to confirm that Mr Khatami, against the will of the Ayatollah, wants to bring Iran out of isolation. There is thus a lot at stake for America and Europe, since if the sanctions continue, the religious autocratic parties will be strengthened at the expense of establishing the rule of law. The fact that Washington has struck Iran off its list of drug producers may be considered positive.

The new climate, unthinkable only two years ago, was witnessed in April, when intellectuals and the media held a debate on the country's future, questioning the subordination of politics to religion and demanding the separation of the institutions. In this connection, the arrest of the mayor of Teheran, charged with financing Mr Khatami's electoral campaign with public funds, made the news. He was tried and sentenced to five years' imprisonment and barred from holding public office for twenty years. His trial was, in fact, a blow directed at the reformists.

An unforeseen event was the appointment of the minister of the interior as deputy prime minister and his dismissal hours later by parliament, who accused him of supporting the mayor of Teheran during the latter's trial. However, that same parliament approved by a majority the appointment of another of Mr Khatami's right-hand men as interior minister.

The Afghan Taliban managed to conquer **Kabul** and other parts of the country in previous years thanks to the obvious support of Pakistan,

whose designs for Afghanistan entail the establishment of a friendly regime and, to an extent, a vassal. Another contributing factor was Washington's discreet turning away its gaze by supporting UNOCAL's project to build an oil pipeline linking Turkmenistan and Pakistan, and the implication that the Taliban occupy only the east of Afghanistan. These victories moved the Taliban to ask the UN to recognise them as a legitimate government, since, so far, only Pakistan, Saudi Arabia and the Arab Emirates have acknowledged their status, while the rest of the world, including the UN, supports the legitimacy of the deposed President Rabbani.

The application of strict fundamentalism and the refusal to eradicate opium poppy cultivation gave rise to concern in 1998, as did Afghanistan's taking in of certain radical Islamists whom Washington accuses of encouraging and funding many attacks on US interests. Fear of total victory of the Taliban, who were already in control of 85% of the country and reached the border with Uzbekistan in August, spurred Russia to change its tactics with regard to Tajikistan, fearing that the Taliban would destabilise its southern flank in the medium term.

Although the Taliban and their adversaries signed a truce in April in order to begin talks in Islamabad under the aegis of the UN, the process was suspended a month later, as the two sides proved incapable of settling their differences, lacking the will to negotiate. The extreme tension with Iraq, which led Saudi Arabia and Pakistan to step in as mediators to prevent armed conflict, was due largely to mutual religious and ethnic misgivings between the two regimes, since Teheran's Shiite fundamentalists feared that their status as regional power was under threat and also, in a sense, the future oil pipelines from Central Asia which will have to cross Afghanistan.

During the year King Fahd of **Saudi Arabia**, who suffered a stroke in 1995, underwent surgery. Although he is officially the head of state, the task of governing the country falls to his brothers of the Suderi clan. Together with Pakistan, the country acted as mediator in the crisis between Iran and Afghanistan. Iran ultimately fears it may find itself trapped in a complex situation as Russia was years ago. Both countries sponsor religious studies and although Riyadh has distanced itself somewhat from the Taliban, it continues to send them arms and money, and both Iran and America accuse it of having engendered a monster that has got dangerously out of hand. The summit of the Gulf Council focused on regional security issues.

FROM THE RISE OF REGIONALISM IN INDIA TO THE COLLAPSE OF INDONESIA

In **India** both the 14-party government coalition and the most traditional parties failed in the general elections held in the first quarter of the year, thus indicating the population's growing rejection of the political class. The regionalist parties emerged as the true victors, in a proliferation of names which could be a sign of pluralism and, therefore, democracy, if they prove to be coherent and stable.

But the surprise India had in store was its three underground nuclear tests, the first it had conducted since 1974, followed two days later by a further two sub-kiloton blasts in the desert of Rajasthan, allegedly marking the completion of its nuclear programme. The international community was unanimous in condemning the tests and while China argued that they jeopardised peace in the region, the United States announced sanctions and asked Pakistan not to respond with similar tests. It became clear that although the former bipolar world had vanished, the risks of limited nuclear war were greater. Ten days later Pakistan carried out five tests with fission bombs, just as India had done, and was similarly condemned for such acts by Spain, among other countries.

India claims that its failure to sign the Non-Proliferation Treaty is due to the discriminatory nature of the treaty, which enshrines the monopoly of the five major powers. It therefore advocates linking the ban on this type of testing to total disarmament, although there is doubt as to whether this is what India really wants or whether this argument is merely an excuse for it to enjoy its own nuclear option, as Pakistan has, for in September it stated its intention to sign the treaty, which needs still more signatures in order to come into force.

Both countries' tests showed that if the UN merely condemned, the West was incapable of halting the arms race between enemies with little stability. Mr Clinton was heavily criticised in his own country for the United States' loss of influence in Islamabad, which had been a faithful, loyal ally during the cold war. However, this was due to Congress, which put an end to military collaboration in order to go ahead with its nuclear programmes.

The tests are a reminder that, although we are immersed in a process

of globalisation, certain geopolitical realities can damage this professed universality. Furthermore, it is a well-known fact that other countries aspire to equip themselves with such weapons in the knowledge that condemnations and sanctions have little effect and because they feel threatened by more powerful neighbours with bigger resources and populations, and see building such an arsenal as a means of survival, since it can provide them with a credible deterrent.

The tension between India and Pakistan escalated to dangerous extremes in August, with very violent outbreaks at the Kashmir borders. This violence suddenly died down after a month, though the two sides continued to issue declarations that fuelled their opposition, despite the subsequent meeting of their respective heads of state.

Further eastwards, in **Indonesia**, the serious fires in Sumatra, economic turmoil and the drought caused by El Niño gave rise to famine in the western part of the archipelago, while the ageing president was re-elected in March for the seventh time. Mr Suharto appointed his protégé Bucharruddin Jusuf Habibie vice-president in a move that was interpreted as defiance of the IMF and the scheduled reforms and led to an escalation in social tensions, while the rupee plummeted to its lowest level since 1987. It was paradoxical that in January the government should have turned to the international institution and announced the cancellation of 150 projects, dismantling public companies controlled by relatives and friends, cutting subsidies and establishing an adjustment policy only to back out and reject the January agreements, presenting an unrealistic budget with artificial exchange rates. As a result, the country was expected to end 1998 with inflation soaring above 50% and negative growth.

A new agreement signed with the IMF in April—the third in six months— included 117 measures to ward off social chaos. As proof of the government's good will, 14 banks were closed, though such measures would not prevent the social explosion, which began on 4 May and reached a climax on the 12th, when the army fired at rioting students from Trisakti university in Jakarta, killing six. The following day violence flared in the capital, taking a death toll of over 500, particularly among the Chinese community, who account for 3.5% of the population and control 70% of commercial assets. Meanwhile, President Suharto attended the summit of the G15 in Cairo. These events, which rapidly spread to the other islands, led the students to invade parliament, at which point the army and the US forced the president to resign, which he did on the 21st. The loyal Mr

Habibie took over from him, but the powerful figure in the background was General Wiranto, the head of the military, who set about organising a purge of the armed forces. Some of the victims were General Subiarto, the former president's son-in-law and head of the intervention forces. The atmosphere again reached boiling point in November, leading to investigations of Mr Suharto's fortune and the announcement of elections in June 1999.

In February the King and Queen of Spain visited the **Philippines** to take part in the celebrations to mark the centenary of Philippine independence. The king reiterated Spain's commitment to the future of the archipelago. Three months later the presidential elections were won by the populist Mr Estrada, a well-known film actor-turned politician with a huge talent for attracting popular support.

The bloody-handed Pol Pot, responsible for the death of a third of **Cambodia's** population between 1975 and 1979, died in a remote corner of the jungle to which he had been confined by his former comrades for life. It was thought that they had assassinated him in order to avoid the public trial that the United States insistently called for, fearing they would be implicated in the genocide. In the elections held late in August—transparent and honest, according to observers—the opposition complained that the results had been rigged, sparking off fears of a fresh outbreak of civil war.

In February, the Constitutional Convention of **Australia** declared itself in favour of severing the historic ties that link the country to the United Kingdom and making the country a republic by 2000. The prime minister promised to hold a referendum to this effect in 1999, stating that the president would be elected by parliament. However, the majority of the population want the choice of head of state to be decided on at the polls, otherwise they would prefer the country's current status.

THE QUEST FOR NEW MODELS IN THE FAR EAST

After 23 years of steady growth, **Japan** officially slid into economic recession in 1998, its annual GDP falling 0.7% in financial year 1997-98, which ended in March. This was only to be expected, since the Japanese economic model, which had been outworn for some years, was further debilitated by the serious financial crisis that swept across Southeast Asia. The crisis was of both an economic and a structural nature, with problems

inherited from the speculative period adding to the adjustments caused by the chaotic state of the financial system. The reasons for the negative growth rate of the second biggest economy in the world were thus plain.

The economic stimulus package presented in March, with a cost of 1.16 trillion yen, was accompanied by a request to parliament for lower taxes. This petition was challenged by the opposition, who called for strict adherence to the budget. It was therefore feared that if the package failed, the yen would be further devaluated, triggering a new financial crisis that would drag down the rest of the Asian currencies.

However, it was in June when banks' bad loans and plummeting share values put the financial system on the ropes. To remedy this chaos, it was agreed to launch a new restructuring plan that included setting up a bank rescue agency.

Having failed to resolve the financial crisis, prime minister Hashimoto stepped down in July in favour of foreign minister Obuchi. The yen continued to slide to its lowest level against the dollar for eight years, pushing up unemployment and giving rise to new crises in sectors such as real estate, while domestic consumption slowed down. The IMF's recommendation that the government take a bolder stance to combat the recession and consider that boosting demand was the only way of halting the crisis was to no avail, as when internal demand slumped, companies' inventories grew and many enterprises collapsed.

Over the summer it became clear that the medium-term solution would require Japan to speed up its structural reforms, as called for by the United States and the governors of central banks, among them that of Spain as a member of the Bank for International Settlements, since the measure adopted in July to nationalise the banking sector temporarily through state-supervised bridging institutions was proving insufficient. But as well as the reform packages, Tokyo needed aid from the IMF, the World Bank and the Federal Reserve or G7, all of which made their support conditional on Japan's solving its financial problems, particularly those relating to the banks' burdens of bad loans, and a tax cut to stimulate consumption and revive the economy.

The uncertainty hovering over the Japanese political scene worsened the situation of the foreign exchange markets and the world stock exchanges, causing the yen to depreciate further and recession to set in. Analysts contended that all Japan could contribute to the Asian crisis was

more problems. In October a further—10 billion yen were injected into the extraordinary budget for 1998 when it became known that the economy would shrink 1.8%. The year ended without any concrete agreements for giving the economy a proper boost, though the World Bank and the IMF believe that the recent measures taken by Japan can improve the situation, thereby helping East Asia achieve economic growth of 4.8% in 1999.

However, with no cold war or threats from China and North Korea in the short term, Japan seeks a weightier role in the region than one of mere subordinate to American strategy. While the dispute with China continued over the oil-producing island of Sankaku, and Japan refused during Jiang Zemin's state visit in November to sign a statement apologising for occupying China from 1931-1945, it also fears North Korea's possible nuclear arsenal, which made the news in summer when a long-range missile flew over Japanese air space. As for Russia, the conflictive issues have been mentioned earlier.

In 1998, America pondered cautiously over **China's** future, asking itself when it would take Japan's place as commercial superpower and become a major military power. There is no doubt that China is currently attempting to secure itself international prestige and world power status in the political, economic and military spheres by implementing a growth model based on a shift from a system based on agriculture and small enterprises to a so-phisticated industrial model with leading-edge, dual purpose technologies such as aerospace, electronics and computing, which are the basis of a military capability. In order to achieve this, it needs to turn to the big western multinationals, realising that they can become useful pressure elements. General Electric, Ford or Boeing are capable of standing up to the protectionist whims of Congress and of neutralising the objections of the human rights advocates, supporters of non-proliferation and ecologists, as well as providing China with technology and experience in return for access to the huge Chinese market. This could even lead to the creation—if there is not one already—of a lobby group similar to the Israeli one in Washington. Nonetheless, there is still a long way to go and it seems reasonable to think that China will not fully close the economic gap and totally overhaul its structures until at least 2050, a century after the People's Republic came into being.

As for its role in the international scene, in 1998 Beijing continued to diversify its relations so as to ensure that Washington—with whom relations have improved considerably following the visits of Al Gore in 1997

and President Clinton the following year—is not its only interlocutor. It regarded the Tokyo-Washington axis with suspicion and kept the issue with Taiwan on hold, even though, paradoxically, trade with the island increased sharply. As far as Tibet is concerned, China will never negotiate its independence. Under Chinese control this area enjoys greater development than it did during the times of Dalai Lama, with a per capita income of nearly 3,000 dollars, above the national average. A further problem is the Muslim region of Sinkiang in western China, where mass colonisation has led the Uigur ethnic minority, of Turkmen origin, to be pushed into the background, thus fuelling separatist movements.

In March the National Assembly approved the restructuring of the central government, trimming the number of ministries from 40 to 29 in order to streamline the complex bureaucracy and guarantee the effectiveness of decisions and the full development of a market economy, having realised that the huge and useless communist structure was expensive, difficult to control and a breeding ground for corruption.

During those sessions the hitherto prime minister Li Peng, known for his suppression of the students' protests several years ago, was appointed President of the Assembly. He thus became the second in power, after Jiang Zemin was ratified as President of the Republic for a further five-year term, Secretary-General of the party and President of the Military Commission, while Zhu Rongjin, Jiang Zemin's technocrat protégé and likely successor, became Prime Minister. His programme promised to deepen the reforms begun by Xiaoping and to eliminate the last traces of central planning; to restructure public companies, cutting eleven million jobs; to reform the administration he himself had built; to industrialise the country as Korea had done; to give priority to the reform of the banking sector, eliminating the current dispersion—a measure that will come up against resistance from the political bosses of the provinces who control the local banks; to trim inflation; and to achieve the parity of the yuan and have the currency join the WTO. He will no doubt try to create a modern socialist government, far removed from past models, though the appointment of Li Peng shows that the reformists have not been able to weed out the last of the hardliners who hanker after the past.

Mr Clinton's visit in June, nine years after Tiananmen, marked the end of the political and commercial boycott Washington wanted to apply to China. Indeed, improving these relations was one of the re-election objectives of Mr Clinton, who stated that «we cannot isolate China». In his visit,

the American president underlined shared responsibility in shaping the future of the world, «cordially» reminding Jiang Zemin of human rights, freedom of religion and the situation in Tibet. The trip ended in a 47-point agreement in which security and defence are priority issues.

The problem of the two Chinas will undoubtedly grow more acute in the near future, since the influence of the Kuomintang is waning in Taiwan, while that of the progressive democratic party, which groups together Taiwanese and supporters of independence, is growing. Nonetheless, the visit of a delegation to Beijing in November to renew the talks that were broken off in 1995 was a positive development; and even though both sides, deep down, wish for reunification, they have different ideas regarding how to go about it. The Kuomintang's relative victory in the December elections will be conducive to the reunification that Beijing is pressing for.

The opposition won the elections in Hong Kong, though, because of the complicated electoral system, the democrats did not come to power. This shows that although China controls Hong Kong, the spirit of democracy is alive and could serve as a stimulus and an example to the rest of China. However, the port is gradually losing its former international function and Shanghai is taking its place as the driving force behind China's development — a fact which became clear to our finance minister when he visited the country in November.

At the beginning of 1998, President Kim Young Sam of **Southern Korea** announced the sorry state of the country, which he described as at risk of plunging into the most serious crisis since the 1951-58 war, and did not conceal from his people the sacrifices they would have to endure. The crisis may result in negative economic growth, subjecting the country to violent social tension, although parliament, which is controlled by the opposition, allows little room for manoeuvre. Relations with Northern Korea continue to be difficult and the issue of territorial waters has yet to be settled with Japan.

In January, **Northern Korea** acknowledged for the first time the extreme situation of its people, who were stricken by famine as a result of the major flooding of previous years and the typhoons of 1997. Moreover, in March, Kim Jong Il called for a renewal of quadripartite talks with a view to reunification, after the previous ones held in Geneva had failed, although he requires oil as a condition for terminating his nuclear programme, as he had promised Mr Clinton. However, the provocative laun-

ching of a ballistic missile, which flew over Japanese air space and plunged into the Pacific, raises the fear that these good intentions will again come to nothing.

GRADUAL CONSOLIDATION OF DEMOCRACY

AND DEVELOPMENT IN LATIN AMERICA

Although the greatest economic progress witnessed for a quarter of a century was achieved in 1997, the same cannot be said for 1998. The end of state protection and the arrival of foreign capital that favoured monetary supply increased the risk of inflation, and at the beginning of the year the overall current account balance showed a deficit of \$60 billion. This downturn sparked off growing fears that the financial situation of the area was very similar to that of the South-East Asian countries. As a result, unemployment increased, adding to the tensions caused by guerrilla warfare, drug trafficking and crime—factors which, undoubtedly, influence foreign investors' decisions. On the whole, it is estimated that the GDP for Latin America and the Caribbean will grow by 0.6% next year, owing particularly to the Brazilian crisis, versus 2.5% in 1998 and 5% in 1997.

At the summit of the Americas held in Santiago de Chile in April, the 34 leaders confirmed their wish to give impetus to the setting up of a free trade area from Alaska to Tierra del Fuego. This led, in August, to a renewal of talks in Miami with a view to creating the biggest trade zone in the world around 2005, though the project will be kept on ice unless the US Congress gives the go-ahead to Mr Clinton's demands. Like the trade unions and other sectors, it fears that such a treaty would have a negative effect on US workers and companies, who would not be able to compete with the cheap labour.

But it is thought that what Washington really wants is to transform the hemisphere into a huge free economic zone, which would entail eliminating the customs tariffs that still protect Latin American productive sectors and the disappearance of Mercasur, which recently signed an agreement with the European Union that was not to the United States' liking.

In 1998, **Mexico** was shaken by a number of events, including fresh outbreaks of violence in Chiapas, speculation on the peso with a fall in oil prices and the end of the political monopoly of the PRI. To make matters worse, cuts were made in the federal budget in January and many public projects were cancelled.

The region of Chiapas is rich in timber, petroleum and mineral reserves. Its proximity to Central America and the total marginalisation of the indigenous population make it a strategic enclave whose situation is characterised by a combination of actions of the Zapatist guerrilla and paramilitary groups, on the one hand, and the strategy of dialogue and negotiation aimed at seeking peace and the re-establishment of order, on the other.

In view of the EU's proposal to file a complaint with the WTO, in January President Clinton once more delayed the entry into force of the most controversial part of the Helms-Burton Act, promising to reconsider the sanctions on **Cuba** if Mr Castro proved willing to respect human rights. The law continues to be a source of tension between America, the European Union, Japan and Canada.

That same month witnessed an historic event—the visit of Pope John Paul II to Cuba. Washington monitored the visit closely, while the Spanish government announced that it would mark a «before» and an «after» and that neither the visit of President Aznar nor that of the King and Queen would follow immediately. By and large, Fidel Castro's speech of welcome was considered impertinent and inappropriate, as was the false version of

the Spanish conquest of the Americas he portrayed, since it was not the occasion either for remembering such events or for addressing the Pope on the subject of the crusades, the inquisition or Galilee.

John Paul II naturally gave a suitable answer, furthermore criticising the violation of human rights, asking for the release of political prisoners and calling on the United States to reconsider the embargo. He reminded Mr Castro that democracy was the most humane political option, that the Church did not identify with any culture in particular and that the embargo was not the island's only hardship.

Although Spain had opened a cultural centre and appointed a military attaché, it did not announce the appointment of a new ambassador until April, thus putting an end to an abnormal situation which had been dragging on for 16 months. After the Pope's visit, our relations improved, as evidenced by Mr Castro's meeting with a delegation of business people from the Spanish Confederation of Business Associations; the stopover of the training ship «Juan Sebastián de Elcano» at Havana from 2-5 June—such a stopover had not been made since 1953 and Mr Castro even visited the ship; the visit of the industry minister and the co-operation agreements in the fields of energy and vocational training; Mr Castro's meeting with King Juan Carlos and the president of the government in Oporto during the 8th Ibero-American Summit and subsequent visit to Madrid, where the reconciliation was confirmed; and, finally, the Spanish minister of foreign affairs' trip to Cuba to prepare for the visit of the King and President Aznar next year.

At the 14th San José Conference of Central American Countries in February, the role of the EU in supporting peace and reconciliation in the region and fostering democratisation was underlined. Indeed, since 1984, Brussels has granted the region over 1.5 billion dollars of non-reimbursable aid. The EU considers that political dialogue is an essential element of these relations, since, as well as aid and opportunities, these countries need just as much to find common ground in the issues over which they are divided. For this reason, the European parliament requested that the general system of preferences be extended to industrial products, taking the first step in that direction by allocating aid for that purpose in its budget for 1998. However, after suffering the devastating effects of hurricane Mitch, the region is facing acute problems, particularly Honduras and Nicaragua which have asked for their debt to be pardoned and urgent international aid, since the damage has unfortunately set their develop-

ment and welfare situation back 30 years.

In **Nicaragua**, one of the least wealthy countries in the area, tension with Costa Rica mounted after San José ratified a border treaty with Colombia recognising Colombia's sovereignty over the Caribbean islands of San Andrés and Providencia, which are claimed by Nicaragua; this dispute came on top of another—the issue of navigation rights for the San Juan River which flows along the border.

As for **Panama**, the main issue was the future of ownership and American presence in the canal. Since, by virtue of the 1977 Carter-Torrijos agreement, Panama will regain control of the canal in 2000, the evacuation of the US bases will leave 5,000 Panamanians jobless and deprive the country of \$30 million revenue per year. Furthermore, since the country has no army, it cannot guarantee the security of this sea pass as laid down in the treaty. In view of this, Washington has planned to set up an international counter-narcotics centre, but without paying any type of rent, even though it would keep forces in the area. The Panamanian president reacted by stating that he sees no advantages in the continuation of the American presence.

In **Colombia** the conservative candidate Mr Pastrana came to power after winning the presidential elections. In his first statements, he offered to meet the guerrilla and then go immediately to Washington, where he would establish a new type of relationship.

For some time, the FAR, ELN and ELP had announced their intention to negotiate a ceasefire, though without binding themselves to any conditions, truces or promises to lay down their arms. Former president Samper conveyed this possibility to our government during his visit to Madrid in February which led to the signing of the Viana outline agreement a month later, though it was immediately put on ice.

These contacts were renewed in Mainz as a result of the German and Colombian Episcopal Conferences and, as expected, in July the paramilitary groups opposed to the guerrilla asked to take part in the talks. Although more meetings took place in August and October and the ELM tabled proposals to Congress to call a national convention as required by the armed group before they will discuss peace, there were new outbreaks of violence towards the end of the year and no progress was made. Indeed, it is thought that both the FARC and the ELN aspire only to continue to control much of the country.

Throughout the year **Venezuela** witnessed growing social malaise which led to the election of Mr Chávez, who had led a coup in the past, as president of the nation. This evidenced the serious crisis of the traditional parties and spread alarm across Latin America, whose democracies had already seen the rise to power of Messrs Fujimori, Bucaran and Cubas.

In **Peru**, the peace accord with **Ecuador** continued to be a permanent agenda item in talks during the first half of the year. The difficulties lay in Qui-to's request for free and sovereign access to the Amazon and in the border adjustment laid down in the Rio de Janeiro Protocol of 1942. The precise borders along this 78 km strip of land were never established and in 1995 violent clashes broke out on an alarming scale. The tension heightened again in August and with it the danger of fresh hostilities. Fortunately, the matter was settled in autumn, when the two presidents accepted the borders laid down in the aforementioned protocol, thus putting an end to the historic dispute. The agreement was signed in Brasilia in the presence of the King of Spain.

The other issue was related to the possibility—not provided for in the Constitution—that the current president, Mr Fujimori, might be elected for a third term in office in 2000. In view of the situation, it was surprising that Prime Minister Valle Riera, who took up the post in June as an independent following what was considered to be a bold decision on the part of Mr Fujimoro bearing in mind that Mr Riera was a critic of his, announced in July that the re-election of the president would be decided by referendum and that the army would withdraw from the universities they had occupied the previous years as a measure to strengthen democracy. He also threatened to resign if his requests were not granted, which he did in August once the second crisis with Ecuador had been overcome, having realised that the president did not back his proposals for democratisation. Congress eventually rejected the aforementioned referendum after an act interpreting the 1993 Constitution was amended so as not to take into consideration Mr Fujimori's first term from 1990 to 1995.

In **Brazil**, where President Cardoso was re-elected amid economic chaos, Spain's Telefónica was awarded the most important fixed and mobile telephony companies in the country.

In August, Mr Mahuad became president of Ecuador, while Mr Cubas came to power in **Paraguay**. The latter's decision to release General Oviedo, responsible for a coup and a close friend, political ally and driving force behind the president's rise to power, was condemned by Congress

and gave rise to the comment that «Cubas governs but Oviedo rules». The leader's attitude was described as a «legal coup», and an appeal was made against the decision on the grounds that it was not constitutional. In December, the supreme court ruled that Oviedo return to prison, though the president refused to obey the court order.

The struggle for the succession of President Menem dominated the political scene in **Argentina** for several months, ending when the president stood down.

In **Chile**, lack of support from the Senate prevented the constitution from being amended to put an end to the influence of the armed forces, which hold nine seats. But without a doubt, the biggest event of the year was the arrest of General Pinochet in London at the behest of a Spanish judge as a preliminary to his extradition. The arrest could, however, complicate and even set back Chile's transition. Although Britain's High Court ruled against extradition, the judicial committee of the House of Lords decided that General Pinochet should be extradited to Spain and this decision was ratified by the home secretary. The affair led to new pressure being brought to bear on London. The outcome will be known in 1999.

Lastly, at the **8th Ibero-American Summit** held in Oporto in 1999, support was given to the talks in Colombia and to the agreement between Peru and Ecuador, though the event was clouded by General Pinochet's arrest.

POWER STRUGGLE IN SUB-SAHARAN AFRICA

A major event of the year was Mr Clinton's tour of a continent to which the United States had formerly paid little attention. The president visited Uganda, Rwanda, Botswana, South Africa, Ghana and Senegal, following in the footsteps of president Carter twenty years ago. The visit was marked by Congress's approval of the Growth and Opportunities for Africa Act, which establishes the possibility of signing advantageous treaties with 28 sub-Saharan countries and extending the free trade zone in the future. The act will lift the trade barriers on 1,800 products from that continent.

During his visit, Mr Clinton announced his intention to boost imports, step up technical assistance, offer incentives to US investments, cancel the bilateral debt of the poorer states and set up an economic forum and organise annual meetings with leaders, no doubt on realising that Africa

offers a market of nearly 700 million inhabitants that is still largely unexploited and has a great wealth of resources.

But the visit also had a political and strategic purpose—that of taking over from France as traditional guardian of much of the continent. France's predominance was called into question when it proved incapable of preventing genocide in Rwanda and Burundi and allowed Mobutu and Lissouba to remain in power, and was powerless to halt the devaluation of the African franc. Suffice it to recall Mr Clinton's statement that a new generation of Africans are trying to rid themselves of old policies that have not achieved results, and his efforts to create an Inter-African peace force, or the gradual establishment of US multinationals in the oil and mineral industries in Angola, Cameroon, Gabon and Nigeria. Without this change of roles, which is becoming increasingly pronounced, Mr Kabila's victory would have been unthinkable, as would Mr Lissouba's falling into General Sassou-Nguesso's hands with Angolan support, as a chastisement for Mr Lissouba's support for the separatists of the enclave of Cabinda, Angola's great source of petroleum. However, Mr Clinton did not visit Angola, perhaps because it was still in the throes of civil war with UNITA, although Washington is aware that Angola has become an important geopolitical element in the region.

It was, no doubt, this line of US action that led Mr Chirac to hold the 20th Franco-African summit in December, which was criticised since it was attended by heads of state such as Mr Kabila, accused of genocide, pre-cisely at a time when General Pinochet was being tried in London on the same charges.

The United States currently regards Botswana, Ghana and Mozambique as safe partners, some on account of their economic achievements and others for their democratic efforts. Also on the list are some French-speaking countries such as Senegal and Mali, owing to their strategic importance, and Rwanda following the genocide. The US also has its traditional allies such as Uganda, whose President Museveni is one of its main pawns in the area and has considerable influence on the policies of neighbouring Eritrea and Ethiopia since he contributes to keeping the Islamic regime of Khartoum in check, even though the countries are engaged in a semi-open war. Of particular importance is South Africa, which Mr Clinton aims to make a privileged partner, thereby enhancing the Washington-Pretoria axis. Mr Kabila, however, who came to power with the help of the United States but has proved to hold less democratic attitudes

than the overthrown president of Zaire, is not included on the list, though it is not forgotten that the former Zaire has the power to consolidate or destabilise half of the continent.

CHAPTER TWO

THE BUILDING OF EUROPE

THE BUILDING OF EUROPE

By JAVIER PARDO DE SANTAYANA Y COLOMA

AN ASSESSMENT OF 1998

1998 was a new milestone in the process of building Europe, in that it marked the achievement by eleven of the fifteen EU countries of the level of convergence needed to adopt a single currency on 1 January 1999.

Indeed, so great are the current significance and future potential of the goal of a single European currency that every step taken in this direction constitutes an historic landmark. Therefore, 1998, like 1997, will not be the only year characterised by Europe's efforts to achieve monetary union.

The importance of the step taken in 1998 has several facets, the first of which is the crowning achievement of seeing such a large group of countries rise successfully to the challenge of meeting the demanding conditions laid down to ensure the feasibility of the project. The results are significant in that they mark the completion of a stage in the process and also the common achievement of convergence by Europeans. They are thus an accomplishment of internal discipline and convergence capacity, that is, of integration. Beyond our continent, the step taken lends the union of Europeans considerable credibility and gives rise to reflection on the possible impact of Europe as a major economic power with a well-defined status in the world scene. As regards enlargement, the achievement is timely in that it signifies the consolidation of an essential part of the vast project of building Europe before new members join. In this respect, it stimulates and strengthens the enlargement process. The presence of the

Southern European countries—with the sole exception of Greece—among the founders of the euro is a significant fact which ridicules the arrogance of some countries of Central and Northern Europe and favours the group as a whole in that it ensures a healthy balance on the continent.

In view of such a momentous event which, in itself, warrants our considering 1998 to be an extremely positive year, it seems out of tune to mention disappointment of any kind. Nonetheless, it has to be said that the success achieved in the economic sphere was once again clouded by the scant progress made in the political ambit. The lethargy witnessed in 1997 and reflected in the outcome of the Amsterdam summit continued to cast a shadow over Cardiff and a good part of 1998. Only towards the end of the year did there appear to be a reaction to the problem of finding a solution to the status of the WEU, and even some attention was paid to finding a possible definition of a common foreign and security policy.

Outsiders have come to regard Europe as an area in decline, perhaps owing to its rapidly ageing population and scarce demographic growth, which contrast with the vigour displayed by other players. The adoption of the euro as single currency and the fall from grace of the so-called «Asian tigers» and even the ailing Japanese economy will undoubtedly have led them to reconsider their opinion. Yet the lack of drive in the process of political union will continue to be perceived outside Europe as a sign of weakness.

Few criticisms could be levelled at this unhurried pace at which the process of building Europe is advancing, were it not for two circumstances. One of these is the scheduled accession of new members, which makes it advisable to carry on making headway so that the basic problems referred to in last year's edition of the *Strategic Panorama* are basically resolved before the new problems deriving from enlargement emerge. Another very important circumstance is the cancer eating away the Balkans; this is seriously hindering the European project and calls for solutions that appeal to our capacity to resolve the problem. The feeling of urgency that this situation elicits is perceived by public opinion as a sign of the European Union's incapacity and could eventually damage the prestige of the institutions and even that of the armed forces. NATO itself could also suffer the consequences of the evident lack of drive in the European political scene.

Not until just before year-end was any concrete progress made in determining once and for all the role and structural position of the Western

European Union (WEU), in order to ensure that Europe has an instrument enabling it to take effective action in the field of security and defence with its own identity, without damaging the Atlantic alliance. Little has been achieved towards defining a Common Foreign and Security Policy (CFSP-PESC). The appointment of a «monsieur PESC» could give some impetus to developing this measure.

The question arises of what could have caused this situation. Owing to a variety of circumstances, relations between France and Germany—the countries which have traditionally been «Europe's driving force»—did not live up to expectations. On the other hand, it may be the case that fascination with the euro and the fact that it is attributed the capacity of giving fresh impetus to European union have led to much of the initiative being left in its hands. Another possible cause of stagnation that cannot be ruled out is the easygoing attitude towards the difficulties inevitably posed by the measures required to achieve true political union. The most likely explanation is a combination of all the above causes, plus the lack of conviction of certain countries. Whatever the case may be, it is clear that the lack of drive stems from insufficient political will. In the eyes of public opinion, this situation reflects a certain lack of sensitivity of the European Union towards any issue that is not directly related to the economy.

The informal summit held at Pörschach at the end of October was aimed at relaunching some of the projects that had visibly come to a standstill during the year. It is hoped that the conclusions of the meeting prove to be more than just good intentions and soon materialise into concrete actions, so that the credibility of Europe's political will is restored and progress can be made in the important aspects of foreign policy, security and defence.

This is precisely what led the Austrian presidency to organise a meeting of the EU defence ministers in Vienna. Strangely enough, a meeting of this kind had never been held until then. The meeting was significant in its own right, since it points to the possibility of establishing an institutional development that already exists in other areas of the EU, without having to wait for a CFSP to be formulated in order to set it in motion. This was, precisely, the message Spain conveyed. Talks have thus been opened and there is every intention of proceeding with them.

No decision was made regarding two proposals tabled by France and the United Kingdom, respectively, on the role of the WEU in a future security and defence «architecture». The two approaches display traditional dif-

ferences, though France appears more willing than usual to acknowledge the leading role of NATO. The foreign and defence ministers of the WEU, who met in Rome only a few days after the meeting of the EU defence ministers in Vienna, did not adopt a stance regarding either of the two proposals. This was only to be expected, since choosing the UK's proposal would entail the disappearance of the WEU, and it would not be logical for the latter to support its own elimination. Spain, which is in favour of the WEU becoming the defence pillar of the EU and the European pillar of NATO, stressed the idea of carrying on with the institutional development of European defence in the terms set forth in Vienna. The final conclusion of the Rome meeting was that Europe should not waste the opportunity afforded by the NATO summit, to be held in Washington in 1999, to finalise the organisation of its defence architecture.

Meanwhile, NATO has continued to forge ahead with its reforms. Discussion took place throughout the year on the new strategic concept, which will be submitted to the aforementioned Washington summit. The studies on the major issues—core and new missions, the NATO mandate and the structure of the military forces—are currently at a very advanced stage. The issue of streamlining the 4th level of command was resolved by doing away with it, and the co-ordination agreement has yet to be developed between the NATO commands in Europe (SACEUR) and the Atlantic (SACLANT) on the «Atlantic corridor» between the Iberian peninsula and the Canary Islands, based on the concepts of supporting-supported and cross boundaries. The co-ordination agreements between the Spanish and NATO commands have been adjourned until the new military structure is established. As for the CJTF, the results of the validation exercises are being analysed, mainly those of «Strong Resolve», in which Spain played such an important role.

After pulling out of NATO's new military structure project, France remains in a somewhat uncomfortable and confused position, as though it had lost specific weight. The overall impression is that, owing to circumstances that are well-known, our neighbouring country wasted a good opportunity and would be well-advised later on to seek another chance to consider joining without paying an excessively high political cost. It remains to be seen whether the new governments in Germany and Italy introduce any major changes in those nations' security and defence policies, though it is assumed that they will not adopt a very different line.

Special mention should be made of the so-called «neutral» nations,

which are weighed down by the burden of tradition that is hindering their possibilities of joining the European security and defence structure. Although they are theoretically closer than the countries of the former Warsaw Pact to the European and Euro-Atlantic institutions, the very factors that in-spire enthusiasm among their eastern neighbours are, for them, a source of difficulties. Thus Austria, which could be keen to shed the neutrality imposed upon it and to join a club as important as NATO, has rejected possible membership. It is, however, seeking a way of fitting into the WEU and went as far as promoting the first meeting of EU defence ministers in Vienna.

NATO has made some headway in the Mediterranean Dialogue. It has already held a course for Generals at its Defense College, which was attended by representatives of the countries on both sides of the Atlantic. It became clear during this course that the North African countries basically have the idea that Brussels deals with money matters and that security issues should be referred to in the framework of the Barcelona Process. But the process begun in this Spanish city has made little progress. The EU is coming up against many difficulties. It was expected that the Peace Process in the Middle East would make dialogue feasible, though this process came to a grinding halt in 1998. Algeria, Libya and the Middle East are a major obstacle to that significant initiative bearing fruit in the near future.

At the end of 1998, one has the impression that the accession dates for the first wave of European Union applicants are being moved further away. Talk of the possible dates currently refers to 2006 and 2009 rather than 2002 or 2003, as initially proposed. To judge by the Commission's report, this delay is due to the fact that the candidates are making slower progress than foreseen; furthermore, the new dates would be better suited to the requirements of prior institutional reform and to existing concerns about the burden of funding. Later accession would also make it easier to solve the problem raised by Spain—which, despite its very positive attitude towards enlargement, does not want it to be financed by the cohesion funds—and Germany, which aims at all costs to reduce its current contribution.

The Balkan area was rife with conflict during the year. The elections in Bosnia proved that attitudes have not changed much and that foreign supervision will be required for a long time. The Kosovo conflict and incidents in Albania show that the area continues to be unstable and point to

the advisability of taking determined preventive action in the region, as well as to the need to bring pressure to bear in order to curb the designs of the new «Saddam Hussein» who defies the international community from the capital of Serbia.

Lastly, mention should be made of the EU's participation in the ASEAN Regional Forum and the renegotiation of the Lomé Convention in Brussels. Both events evidence incipient efforts by the Union to work gradually towards establishing a global policy.

THE EURO

The project of European union is based on the establishment not only of a geographical identity but also, more importantly, a cultural identity, of which disputes and variety are just some of the characteristics. Indeed, although its history is a succession of internal conflicts and the main distinguishing feature of its natural and human geography is precisely its contrasts, Europe is aware of its own personality.

A characteristic of this European personality, especially if compared to that of the United States—which is usually expressed in economic terms—is that political debate tends to be expressed in social terms in our continent. It is therefore worth considering why, when giving an institutional form to its identity, Europe should have opted for a structure based mainly on economic organisation. This approach seems to indicate that Europeans are aware of the value of the economy as the backbone of society and as a factor that creates stimulating environmental conditions and generates initiatives in other spheres.

The lengthy process of economic integration reached a climax when, on 2 May, the heads of state or government ratified the decision of the EU Economic and Financial Affairs Council, which had given the go-ahead the previous day to the list of countries that would join monetary union as of 1 January 1999. This decision will affect trade, investment and the movement of Europeans most directly, though these will no doubt not be the only areas to benefit from its repercussions.

Only one of the fifteen EU countries did not succeed in meeting the macroeconomic conditions according to schedule, though it is also true that in some cases «creative» accounting methods were applied to achieve the objective. Only Greece failed to meet the criteria, and overw-

helpingly so, as it did not meet a single one. However, it is hoped that the recent incorporation of the Greek currency into the European Monetary System and the effort the government is making to give a boost to its economic programmes will enable it to join the second wave of Monetary Union.

Another three countries have been left outside the euro club, even though their economies are thriving. Of these, Denmark, whose decision not to join stemmed from a referendum held in 1993 that reflected, once again, Danish wariness of European initiatives, later ratified the Treaty of Amsterdam, also following a referendum. In Sweden, monetary union does not have the backing of the majority of the population, who attribute the economic crisis their country suffered in 1992 and 1993 to membership of the EU. The truth is that Sweden did not expect the convergence operation to be as successful as it has turned out to be and the requirements it failed to meet were the adaptation of its national bank to the common bank and compulsory membership of the European Monetary System. The situation in the United Kingdom is somewhat ambiguous since, while on the one hand the country distanced itself from the operation in a gesture of «euroscepticism», it has also expressed its intention to support the single European currency. It is likely that both the United Kingdom and Sweden will eventually join Monetary Union towards 2002. The United Kingdom has specifically announced that it will be implementing a programme of transition towards the euro. Whatever the case, the very nature of events will make the new European currency imperative, since once it comes into circulation it will be impossible to avoid using it within the EU.

The aforementioned cases are a good illustration of the difficulties inherent in the process of European union. Although its flexible development is precisely one of the keys to its success to date, one of the lines of action it should adopt in the future is to endeavour to iron out exceptions, in order to simplify the European «mosaic». This applies especially to the field of security and defence.

An outstanding feature of this process is the valour that Europe has displayed as a whole, which is matched by its confidence in its own possibilities. Little has been said about the unknown factors and risks to which the fifteen EU countries are exposing themselves by taking such a revolutionary step as adopting a single currency. However, what is clear is that we can expect a future of work and sacrifice, and that we must be guided along the path that lies ahead, as Germany has repeatedly stressed, by

utmost rigour in economic affairs.

Fortunately, the fruits of the efforts made so far have already been glimpsed, and it seems that the wait is not to be overly feared. The European nations are aware of the benefits they have obtained from obligatorily getting their economies into shape. The impact of the Asian crisis and its repercussions on Latin America, Russia's chaotic financial situation and the consequent threat of recession have been lightened by the excellent state of Europe's economy. The effort to achieve the convergence criteria could not have been more timely.

The process of European union is often criticised for lacking a human dimension. This shortcoming refers to philosophical aspects relating to the most deeply-rooted identity of Europeans, and also to a concern for social justice. Spain is particularly sensitive to the latter owing to its high unemployment rate. But the economic consolidation of Europe will also have a beneficial effect on the jobless situation. The improvement in the European economies is proving to be one of the keys to boosting employment. Furthermore, the repeated appeals by public opinion to the community authorities to pay more attention to this matter have given rise to different initiatives. It is gratifying to see that the employment scheme presented by the Spanish government, together with that of France, has received the most positive comments from the European Commission, and that Spain is currently leading the rest of the European economies in creating jobs.

Other particularly important events which took place in 1998 were the creation of the European Central Bank (ECB) and the appointment of its president, as well as the debate on the establishment of measures to co-ordinate members' economic policies. The ECB, a key element in the introduction of the euro, will play a leading role, since it will be largely responsible for giving a direction to European economic policy, mainly in areas such as price stability and money market operations. It will also issue currency.

The designation of the first ECB president gave rise to a bitter dispute between France and Germany, ending in the appointment of Mr Duisenberg, of the Netherlands. A formula was established whereby he would hand over to a French president in 2002, thus avoiding the veto threatened by the French prime minister. This regrettable episode proved detrimental to the electoral expectations of the German chancellor and seriously damaged the Franco-German axis, in addition to bringing to light some of the worst facets of traditional political practices.

The possibility of representing the euro externally at forums such as the G7 and IMF has been explored by the economic policy-makers of the Eleven with scant success. Some countries believe that the figure of president of the ECB is sufficient, while others consider that his presence as representative would disturb the smooth running of some of these forums or that the euro should be more geared to economic policy.

Monetary union will underpin Europe's potential to consolidate the union process and set new goals, and will shape the personality of a new economic giant that will compete in second place with the United States. Europe's population amounts to 372 million, and its GDP stands at 1.1256 quadrillion pesetas, compared to the United States' 269 million inhabitants and GDP of 991.2 trillion. Numerically speaking, Europeans hold the advantage, though they do not enjoy the compactness afforded by a highly consolidated political union such as that of the United States, or the drive of its economy.

THE CARDIFF SUMMIT AND THE INFORMAL SUMMIT OF PÖRTSCHACH

The Cardiff summit in June conveyed an image of disagreement and ineffectiveness. This was hardly surprising, since the two main issues—funding for 2000-2006 and institutional reform—were postponed.

The meeting took place under the weight of the conditions imposed by the proximity of the German elections. Mr Kohl, then Chancellor, adopted a radical stance in favour of «fair return». The economic difficulties triggered by the effort to integrate the former East Germany led the German Chancellor to raise the issue of debit and credit and to call for a fairer distribution of the burden which, in his opinion, would be clearly damaging to his country, since Germany would receive less than what it would obtain from the system. Germany's attitude was, from the outset, backed by Austria, Sweden and the Netherlands. These countries' position, far from the spirit of solidarity on which the building of Europe and the Structural and Cohesion Funds are inspired, led to the introduction of new criteria which were considerably damaging to the countries that currently benefit from those funds.

From the beginning of the summit, Spain strove tirelessly to prevent the adoption of partial decisions that the United Kingdom initially seemed to favour, stressing that the modifications proposed by Germany would

penalise the efforts of countries that are still far from achieving real convergence, despite having met the criteria required for monetary union. Spain proposed adopting a global decision and progressive approach, so that the wealthiest countries would pay more. The basic problem is the danger of a shift in the pro-European spirit from solidarity to cost-effectiveness, which would furthermore mean a return to nationalisation.

The decision adopted did not solve anything, though it did, at least, give the countries more time for reflection and dialogue. It was hoped that once the German elections were over and with Germany holding the EU presidency, a formula more in keeping with the spirit and letter of the Union would be arrived at through negotiation. But since the European elections will take place a week before the summit in which this issue will be decided, the heads of government will probably want to demonstrate to voters that their own respective proposals have triumphed. The solution adopted at Cardiff was to postpone the agreement on funding until March 1999, when a special summit would be held, with a view to finalising a commitment at the summit in June that year.

At the end of November, as a solution to the issue of funding, the EU Commission raised the idea of freezing expenditure until 2006, taking the average of disbursements made between 1993 and 1999 as a ceiling. The EU countries reacted differently to this idea. Spain rejected the proposal since, although its government agreed with the principle of rigour, it considered it unacceptable to freeze expenditure at a level which, apart from being low, would have to meet the cost of enlargement. Our country would accept basing the ceiling on 1999 expenditure, provided that the development of community policies were guaranteed and that appropriations for enlargement were not included.

As for institutional reform, the influence of the electoral campaigns in Germany also led the Chancellor to align himself more closely with the more euro-sceptical countries, though it was finally agreed to hold an informal summit in October to set up a group of «personal representatives» to draw up a specific reform programme that was to be ready by the Vienna summit in December—that is, in a very short time. This served to neutralise France's plan to set up a «comité des sages», which was suspected as being a ploy to bring the former president of the European Commission, Jacques Delors, into the picture.

It can be said that, although the main decisions were left up in the air—indeed, in some cases precisely because of this—the results of the Car-

diff summit were beneficial to Spain, which wanted Agenda 2000 to be addressed globally, without partial decisions being made in advance. The most positive aspects of the summit were that it prevented certain undesirable moves and served to set an agenda that would enable the process to begin in an orderly manner. Nevertheless, it is worrying that Germany, a country destined to be European leader, should speak in terms of cost-effectiveness rather than solidarity and aim for enlargement to be financed through funds that are transforming the least privileged areas of Europe.

The informal summit at Pörtlach, held at the end of October under the Austrian presidency, served to gauge the stances of the new German and Italian heads of government with respect to the major European issues. In both cases, novel circumstances gave rise to certain doubts. In the case of Germany, the incorporation of the Greens into the government raised the question of possible deviations from the line traditionally followed by Germany. As for Italy, the summit marked the debut of prime minister D'Alema, a former communist, at an international forum. The Pörtlach summit proved to be a suitable occasion for both to demonstrate that the European project is a meeting ground where ideological excesses give way to common sense and reasonable and effective solutions. The shared international environment and convergence in a long-term common task tend to temper and moderate national discourse in the interests of consensus. In Spain's view, widespread insistence on the need to foster a policy of growth, job creation and interest-rate cuts served to confirm that the line being followed does not differ from the one hitherto advocated by the Fifteen. Moreover, this concurrence reveals just how far national policies are coming closer in their approaches, whatever label the governments bear. In this regard, the informal summit of Pörtlach showed that the current European leaders are very much in tune with each other.

The conclusions of the summit refer to two major groups of issues. On the one hand, there are the economic questions, some of the most important being the appropriateness of cutting interest rates (though this aspect should not be interpreted as interference in the decisions of the ECB and the national central banks) and the intention of supporting the economies of the Latin American countries, which are suffering the impact of the international financial crisis. On the other hand, they address foreign policy and security issues, with emphasis on the existing interest in reaching an agreement over a visible figurehead who will embody European foreign policy—«Monsieur PESC»—and in instilling some life into the «European

pillar» of defence.

These conclusions would seem to imply that the changes which have taken place in the governments of some of the most important countries in Europe not only should not entail a slowing down or change of direction; rather, on the contrary, they can contribute to giving fresh impetus to some decisions which, although already taken, had come to a standstill as regards development. It remains to be seen whether such good intentions become a reality and whether the more political aspects of the Maastricht Treaty are indeed relaunched.

INSTITUTIONAL REFORM

Back in the first quarter of 1998 a debate took place on the timescale and procedure for preparing institutional reform. As mentioned earlier, President Chirac raised the idea of setting up a «comité des sages» with the supposed goal of boosting the process. The President of the European Parliament seemed to regard this as an ideal procedure for stepping up the reform programmes; the European elections in spring 1999 would contribute to overcoming the resistance that proposals for possible thorough changes have come up against so far. But the French idea addressed the building of a Europe of States, for which it was necessary to establish which powers the national governments would keep for themselves. As already mentioned, many suspected an underlying manoeuvre that in the end did not come off.

In March, the President of the European Commission announced that an inter-governmental conference would be held as part of a procedure to ensure a well-planned institutional reform. From the outset, Mr Santer had been in favour of adopting a cautious stance, based on experience, and of allowing time for the Amsterdam Treaty to be ratified. The conference programme was prepared by the institutional affairs commissioner and addressed the four classic topics: votes and vetoes—fair distribution of the former between large and small countries and abolishment of the latter in certain areas; definition and development of a common foreign and security policy; ensuring the flexibility of directives in order to adapt them more successfully to the circumstances and characteristics of each nation; and lastly, perfecting the democratic nature of the European institutions. As mentioned earlier, the specific decisions taken at the Cardiff summit were to set up a group of «national representatives» and establish a working

agenda.

This means that, once more, Europe chose to advance cautiously, without forcing issues, even though this may make many people impatient and risk to an extent the desirable development of some processes. The conference will be held in 2000, by which time the ratification of the Treaty of Amsterdam will have been completed. It is to be hoped that, meanwhile, the appointment of a «Monsieur PESC» will ensure some progress in the field of common foreign and security policy, particularly after the impetus it was given at the Pörschach informal summit, though several countries oppose the idea of making this an excessively high-profile post and would prefer a senior official for the job. This is why the issue, which in 1997 seemed to be on the right track, has not yet been solved. What is more, it remains to be seen whether the figure of «Monsieur PESC» will indeed ever take shape.

The difficulties of dealing with the establishment of a common foreign and security policy—an issue which, by nature, is complex—are undeniable, even bearing in mind that in this case the aim is simply to reach consensus on the outlines of this policy in certain areas, and not an exhaustive agreement. Past events evidence a number of achievements in this connection. For example, what was established at Barcelona was none other than a common policy for achieving peace and stability in the Mediterranean; this was done so successfully that the implications of the resulting decisions even affected the Scandinavian countries' funding. As for Kosovo, the European Union defined support for a solution of autonomy rather than independence as the policy guideline to be followed.

THE EUROPEAN SECURITY AND DEFENCE IDENTITY

At its May meeting, the Council of Ministers of the Western European Union issued a declaration (Rhodes Declaration) defining the WEO as an integral part of «the development» of the European Union, which it affords operational capacity, particularly in the context of missions such as Petersberg. This statement about the relationship between the two European institutions, though still far from concrete, does however establish a close link between them while the definitive status of the WEU is determined. The Rhodes Declaration addresses the issue of defining a common defence policy with a similarly pragmatic approach. The EU supports the

identification of «building blocks», such as aspects of the relationship between the civilian and military spheres, already tried and tested in crisis management, and advocates giving consideration to work that has already been carried out, which can also be incorporated into the building blocks.

The Declaration praises the headway made in the exchange of classified information between the two bodies, as well as other achievements of a practical nature.

In the military field, Europe is determinedly forging ahead thanks to the efficiency of its general staff, in what is largely an upstream process, following the natural development of the major units which have been created. EUROFOR, for example, has become aware of its own identity and has gauged its operational capacity in the «Eolo 98» exercise conducted in the south of France in June. Thanks to the efforts of General Ortuño, the first chief, the organisation of this unit is now at an advanced stage. Indeed, its possible relations with the Eurocorps and NATO's Allied Command Rapid Reaction Force are currently being defined and the problems deriving from force generation are being addressed.

In contrast to the determination witnessed in the military field and the progress made, the WEU appears to be somewhat resigned to waiting for circumstances and conditions to arise that are conducive to the decisions required to rescue it from its current situation of relative inefficiency.

Also, as the Rhodes Declaration states, the WEU has taken on what is, to an extent, a subsidiary role to that of NATO, since its operational capability is defined as being particularly in the context of the Petersberg tasks and conflicts which do not require particular weight. This definition, which is partly an acknowledgement of the European organisation's limits, is in itself an advance in that it comes closer to defining the scope of action of the WEU. However, a doubt arises as to whether the seemingly slow pace of the consolidation of the WEU as an integral part of the building of Europe is living up to the requirements of reality, such as the dramatic events in the Balkans, with unsettling TV images that have such an impact on people's consciences. NATO solves much of the problem, but there is a clear demand for a swifter and more weighty European response to the conflicts that erupt in our continent.

This concern led the foreign affairs and defence ministers of the WEU to try to give some impetus to this issue, which requires a definitive solution before the NATO summit in Washington. The greatest hindrance is Britain's insistence that the organisation should be practically dissolved.

Relations between NATO and the WEU have continued to progress in practical and operational aspects such as, for example, working procedures and consultation concerning the preparation and directing of WEU operations with NATO resources and capacities. This interesting work, which provides a practical and concrete contribution to raising the profile of the European identity within NATO, is due to culminate in a joint crisis-management exercise in 2000. Similarly, the WEU's participation in the

NATO planning process and the WEU's offer to supply it with information from its Satellite Centre will help underline the importance of this contribution and the benefits to be derived from it.

One of the facets of the European identity will be its defence industry. In this regard, 1998 witnessed an important happening: in December 1997 the heads of state and government of France, Germany and the United Kingdom had signed a declaration, backed by the heads of government of Italy and Spain, aimed at facilitating the restructuring of the European defence aerospace and electronics industries. On 20 April 1998, the defence ministers of those five countries, broadening even further the scope of that initiative, met to discuss the restructuring of the defence industry. This meeting gave rise to a letter of intent expressing those same aims, which was signed in July that year by the same authorities (though on this occasion the under-secretary of state signed on behalf of the United Kingdom), as well as the Swedish minister. The letter establishes a co-operation framework in considerable detail. The agreements deriving from the letter of intent are expected to be finalised between July and December 1999.

Many nations regard these interesting initiatives somewhat cautiously, fearing that their industries will be suffocated by the high-handed giants. The latter must realise the need to respect the national interests of all the countries.

Such is the case of the OCCAR armaments agency, set up in 1996 by Germany and France and later joined by Italy, the United Kingdom and Sweden. This agency has become consolidated over time, partly at the expense of the Western European Armaments Group (WEAG). The fact that membership of the OCCAR is subject to acceptance of the conditions agreed previously by the current members and the suspicion referred to earlier hinder the incorporation of new countries.

In any event, the idea of setting up a «European Armaments Agency» as a possible definitive solution met with support at the meeting held by the WEU in Rome in November, which has been mentioned in previous paragraphs. The organisational multiplicity gives an idea of the difficulties found in channelling the problem.

As for governments, these must recognise that the industrial and technological basis of defence is an asset of strategic importance and provide a structural and legal framework to facilitate the survival and development

of the industry, which is currently geared to establishing co-operation programmes and to a policy of privatisation and mergers.

THE US AND THE PROCESS OF BUILDING EUROPE

1998 witnessed a significant event as regards the United States' attitude towards our continent: President Clinton's visit to Berlin in May, where he defined Europe as a focal point of his foreign policy. The US's growing interest in the Pacific basin and the temptation of isolationism, always present in the American political world, make this public statement particularly valuable. Washington's active diplomatic intervention in the Kosovo conflict and continued military presence in the Balkan region bear out the validity of the president's definition.

In reiterating his country's links with Europe—which is regarded as a focal point of US foreign policy—president Clinton spoke of four points for common action: the reform of NATO as the basis for common security, as the organisation must defend wider frontiers and possess the necessary means to face new challenges (whether regional or cultural conflicts, the proliferation of weapons of mass destruction, etc.); enlargement, taking into account the interests of Russia and Ukraine; increasing the prosperity of the association with Europe; and the spread of democracy and fostering of global co-operation in its many facets.

Relations between the US and the EU, hindered by the Helms-Burton and D'Amato-Kennedy acts, were polished and clarified in 1998 thanks to a skilful manoeuvre by President Clinton, who settled the issue of Europe's rejection of these acts without triggering opposition in his own country. As is common knowledge, Europe does not accept the principle of «extraterritoriality» enshrined in those laws, though it is sensitive to the principle of defence of human rights on which they are supposedly inspired. The problem affects other areas of security and defence which merit Europe's concern, such as the danger of the proliferation of weapons of mass destruction. If Europe has undertaken not to allow its enterprises to traffic in properties confiscated by the Cuban authorities, Europe should also be obliged to penalise the conduct of countries which could succumb to the temptation of developing weapons of that type. This concern was heightened when India and Pakistan carried out nuclear tests in 1998.

America's attitude to the creation of a European Monetary Union has generally been low-key, though this does not mean to say that it welcomes

EMU with enthusiasm; rather, the opposite is true. A noticeable exception was when the speaker of the House published an article in the United States and the United Kingdom inviting the latter to join NAFTA instead of European Monetary Union. The line of argument was a summary of the risks the European adventure could entail, such as those arising from the fact that this significant undertaking of adopting a single currency has come at a time when structural reforms have yet to be carried out. It furthermore pointed out that the economic success of the American states was due to their having unified their currencies, tariffs, etc. when they already had a considerable degree of political cohesion. Voices were also raised in Canada, stating that the United Kingdom has greater affinity with North America than with the European nations. These ideas, which basically express an underlying rejection of the consolidation of Europe as a major world power able to compete with America, contrast with another more favourable line of thought now emerging on the other side of the Atlantic, which, perhaps now that European Union and its single currency are a *fait accompli*, prefers to point to the benefits.

RUSSIA AND THE BUILDING OF EUROPE

In 1998 some of the more pessimistic hypothesis regarding developments in Russia's democratic process were confirmed. It is only fair to assume that these negative developments did not come as a surprise to anybody. Unlike most of the countries of the former Warsaw Pact, Russian society has no historical memory of a time of freedom. The mental adjustments and changes of attitude required by democratisation cannot take place in the space of a few years; rather, they will undoubtedly take several generations. Therefore, the fact that as time elapses the situation has not erupted with an explosion can in itself be regarded as good news. The huge capacity of the Russian people for enduring hardship is their main assurance in the long trial that lies ahead of them.

Two events in 1998 revealed just how serious Russia's situation is. The government crises not only showed the huge difficulties the country is coming up against in resolving some very basic problems such as how to pay its civil servants and soldiers, but also, and particularly, its leaders' inability to bring the situation even slightly under control and pursue a determined coherent policy that could lead them to solve the core problems. The steps taken have reached the point of incoherence and have revealed the worst aspects of the grave crisis in which the country is

immersed, such as the survival of old ways of thinking, the spectacle of the clash between the president and the Duma, self-seeking motivations of parliamentarians more concerned about holding on to their posts than for the good of the nation and a chaotic government policy torn between the overriding need for efficiency so as to free itself from the maelstrom and the alarming temptation to follow long-established practices.

Another significant event closely linked to the aforementioned government crises is the country's financial crisis, the most regrettable aspect of which was the way Russia reacted to a such a grave problem. Despite the widespread interest of the international community in helping it overcome the situation and the specific efforts of the International Monetary Fund to support its recovery, Russia reacted disappointingly, coming up with a set of largely counterproductive measures as the internal solution to the problem. The situation continued to deteriorate, reaching rock bottom in August, when the country abandoned the only reform programme that had proven to be coherent and returned to practices which should by then have been superseded permanently. The rouble then plummeted to disastrous levels, causing a negative impact on the world financial markets, even though the Russian economy's influence on them is not as great as might be supposed. As a result, Russia now faces a new problem on top of the different crises—the loss of prestige of its institutions.

The practical implications of Russia's situation for the building of Europe and the new spirit of international relations advised the European Union to consider supporting the democratic development of Russia a priority, though this support was not greeted with the expected response by the political class of the country, where nostalgia for, and the corruption of, the times of communism appear to prevail. Under the current circumstances, support should be accompanied by a necessarily firm stance

The Russian crisis should to an extent prompt the countries that aspire to EU membership, whether firm candidates or mere aspirants, to speed up their preparations. The very nature of the problems Russia is experiencing should encourage them to abandon practices and customs inherited from communism. Furthermore, Russia's weakness should ease certain pressure. The country's current dependence on international attention and generosity for the stability and progress that are beneficial to, and desired by, all is leading the Slavic giant to seek a good and fruitful relationship with Europe and the US in all spheres. The building of political union and its future security and defence machinery—in itself a difficult task—cannot

come up against excessive resistance from Russia. This circumstance should make it easier to establish a system that Europe and the US wish to build not against Russia, but rather in harmony with it. The fact that democratisation promises to be a lengthy process makes it likely that the building of Europe will have progressed substantially by the time it is back on the right track. In any event, this consideration also calls for a more determined effort to define the European security and defence identity and translate it into concrete terms.

Russia's attitude throughout the conflicts that erupted during the year was reasonable, bearing in mind that an open and enthusiastic adherence to US policy on each occasion could hardly be expected, even if only to keep up its image of major power. It should be stressed that the signing of a Partnership Charter between the United States and the Baltic States in January led immediately to the establishment of a military agreement between Russia and Belarus. In the dispute between the United States and Iraq, not to mention Iraq and the United Nations, Russia's position did not differ greatly from that of France; it emphasised the need for negotiation, thus coming out on the «serene and civilised» side and distancing itself sufficiently from the US without causing a split. As it was, subsequent events prevented the firmness of its stance—due undoubtedly not only to a question of principle but also to its own interests—from being put to the test.

Moscow adopted a similar attitude towards the Kosovo conflict. In this case, its lack of support for NATO intervention was more unsettling and contrasted with the co-operation—albeit only to be expected—it has shown in OSCE operations. Russia's position in this issue has been in keeping with Moscow's interest in promoting its apparent role of protector of Belgrade. This did not prevent it from posting troops to Albania to take part in the manoeuvres carried out there in August, though the size of this force made it merely a token gesture.

In any event, the situation in Russia should be of considerable concern to Europe from the security point of view and logically calls for the need to keep on the alert. Not even the worst possible scenario—the return to power of the communists and the subsequent reappearance of old customs and practices—would make the country a true threat, though it would pose some risks. But the nation is currently in such a deep depression that not even in the latter case would the risks be excessively worrying from the military point of view. Moreover, regression would undoub-

tedly plunge the country into an even deeper recession and a simple return to the past is unthinkable. Nevertheless the European and «Euro-Atlantic» political and security institutions must take suitable precautions against any unpleasant eventuality, while holding out their hands and offering their support to that great nation.

As things stand, Russia's nuclear capacity—however much it may have deteriorated—is all that is preserving its status of major military power. It does not therefore seem logical to expect Moscow to make many concessions in this area.

CONFLICTS IN EUROPE

Shortly after the collapse of the Warsaw Pact, NATO began to point out the new risks that were emerging from the new strategic situation, many of which were a logical consequence of the turmoil of the transition period, when the deterioration of institutions and economic crisis gave rise to areas of semi-darkness and obscure corners. Some indications of the reality of these risks, which had erupted in previous years, were witnessed in 1998. Not only cultural or religious risks emerged: the danger of the proliferation of weapons of mass destruction, known to experts in security and defence issues but scarcely perceived by the public at large, made the headlines when India and Pakistan got involved in a demonstration of their nuclear capacity by carrying out a series of tests. This led to the re-emergence of the spectre of the threat that had Humanity on tenterhooks for over forty years and had ostensibly been buried under the rubble of the famous Berlin wall. But there were other threats that briefly surfaced in the form of news which, though short-lived, reminded public opinion of the possibility that we may at some point witness the unpleasant appearance of some items from the new collection of weapons. The problem of mafias, international crime and the proliferation of weapons of mass destruction received special attention at the NATO Assembly meeting in Barcelona in May. When Britain raised the alarm about the possible introduction of anthrax, the «New Yorker» published an article by a Soviet expert on biological weapons pointing out just how worrying the diaspora of Russian scientists can be. This same concern can be applied to the cases of illegal exportation of radioactive substances.

Terrorist attacks on American installations placed the US at the forefront of current affairs. Europe took an important institutional step when it

decided that Europol would also engage in combating this debilitating and destabilising scourge which is a contradiction in a democratic society and a source of conflict that can be exported and exploited by certain groups or nations that wish to undermine the strength of the prosperous, advanced or powerful countries.

For Europe, however, the observation that the peace we long for is still a distant prospect in today's world continued to stem mainly from the Balkan region, not only because the Bosnian conflict continues to smoulder beneath the peace that has been imposed, but also because new fissures have appeared which reveal the magma of problems lying beneath the crust of that conflictive area of Europe. The negative influence of this reality on the building of political union in the continent is a factor that has to be borne in mind constantly and is a heavy burden to bear—a physical burden, which drains resources and absorbs a good part of our efforts, and a moral burden, which damages Europe's prestige and appeals to our consciences as Europeans.

The results achieved in Bosnia in 1998 certainly do not measure up to the objectives, particularly because the elections held there under the aegis of the OSCE showed that attitudes have scarcely changed. While the fact that these elections were able to be held and progressed relatively normally constitutes in itself a quantum leap, the victory of the nationalist hardliners, although foreseeable, marked a huge disappointment. The outcome of the polls ruled out the possibility SFOR had been toying with of reducing the forces posted to the region. Only the continuance of Mr Izetbegovic and the presence of the moderate Mr Radisic, together with some a b s e n c e s , served to alleviate slightly the fiasco. Neither can it be said that even sufficient progress has been achieved in the return of refugees, despite the commendable effort made in all aspects by NATO and OSCE and by the European Union, whose High Representative, Carlos Westendorp, has made some significant headway, particularly in introducing measures with considerable symbolic meaning for unification.

Kosovo hit the headlines throughout the year. Since the region's potential for instability is well known, it is legitimate to ask why Europe had not taken suitable measures earlier to prevent the conflict; and some might interpret the duration of these problems as a sign of inefficiency on the part of Europeans and even Americans. Some of the shortcomings to which these effects can be attributed have been mentioned earlier, though

on this occasion it should be borne in mind that the intervention amounts to interference in internal affairs for humanitarian reasons. Furthermore, although the initial reaction was quite swift, diplomatic action was immediately complicated by the adoption of a more radical stance by the Kosovars, which translated into guerrilla warfare and weakened the position of the logical interlocutor, Mr Rugova, who was judged unsuitable by part of the population owing to his moderate nature. Russia's opposition to military intervention by NATO did not make things any easier. The tenacity of the alliance, which overcame the loss of credibility triggered by the temporary halt following the «Determined Falcon» deterrent operation, eventually humbled the Serb president.

From this conflict, and indeed from the crisis in the Gulf in the beginning of the year, an extremely positive and interesting lesson can be inferred: a combination of dialogue and force is effective against fanaticism and is a formula that is known and accepted by the international community. Such were the words of UN Secretary-General Mr Annan following his success in Iraq. The problem that now needs to be solved is mandate; it would be desirable for any intervention of this kind to be authorised by the United Nations, though it is necessary to prevent this important formality from leading to inefficiency.

An interesting aspect of the Balkan conflict in 1998 is the interaction of the different security and defence institutions: United Nations, NATO, EU, WEU and OSCE, all of which played a useful role, each within its own ambit. The aforementioned conflict thus became a testing ground for what has come to be called the «European security architecture». It is also serving to establish a co-operation association with Russia in these affairs, even though co-operation has been difficult on some occasions.

An event which can be characterised as «historic» was Germany's offer, for the first time since the second world war, to provide NATO with combat forces, with a view to possible military intervention in the Kosovo conflict. The fact that it was backed by the new German chancellor who had to team up with the Greens to form a government makes this gesture—which points to a normalisation of Germany's attitude—even more significant.

Bosnia and Kosovo were not the only sources of conflict in the Balkans. The rioting in Montenegro and Albania provided fresh evidence of instability, although preventive action in the latter managed to contain the conflict within certain limits. It is a well-known fact that the EU allocates

substantial resources to the reconstruction of the country, where the MAPE (Multinational Advisory Policy Element) is based. OSCE has joined in this effort, performing its characteristic functions, as have other nations through bilateral arrangements. NATO backs the reorganisation of the Albanian armed forces under democratic control.

The Balkan region will no doubt cause Europe many more headaches. Isolation of conflicts to prevent them spreading will continue to be a political priority. The healing of the wounds inflicted by the surgeon's knife and recovery will be long, painful processes. The area would stand to gain considerably from the establishment of a European common foreign policy.

Beyond the Balkan region the situation has improved. The countries which aspire to membership of European or «Euro-Atlantic» institutions have continued to strive to become deserving applicants, weeding out the causes of possible future conflicts. Suffice it to cite as an example the historic visit made by the Romanian president to Hungary in January, in a spirit of reconciliation, and the agreement between Hungary and Slovakia to put an end to the dispute which had dragged on for fifteen years over the Danube. Another positive event of 1998 which deserves special mention is the peaceful settlement of the problem of Northern Ireland. And the handing over of East Slavonia to Croatia, political changes in Malta and Slovakia, and the outcome of the referendum in Latvia boosted these countries' accession possibilities. However, relations between Turkey and the EU remained stagnant in the same situation described in last year's *Strategic Panorama*.

SPAIN'S STRATEGIC YEAR IN THE FRAMEWORK OF BUILDING EUROPE

Although it may sound clichéd, the year could well be described as historic. The celebration of the hundredth anniversary of 1898 and the fourth centenary of the death of king Philip II provided some interesting impressions with which to gauge the tone of Spain and the concept we Spaniards have of ourselves a century after losing the last colonies of our empire and with the new millennium just around the corner. The mood is one of optimism, of greater confidence in our possibilities and also willingness to take on the role and related responsibilities that fall to our nation. This seems to be the aftertaste of the rehabilitation of the figure of Philip II, which can be interpreted as the consequence of Spain's determination to shake off,

simply with the truth of history, the ominous presence of the Black Legend. One has a similar impression from the strong Spanish presence in Latin America a century after the famous events. This presence—characterised by a modernity which makes the traditional reproaches that Spain's relationship with Latin America is mere rhetoric a thing of the past—is backed by concrete, practical, expressive and comforting data such as the fact that Spain has become the leading European investor in Mercosur and, what is more, in significant industries such as energy, banking, construction and telephony. Latin America accounted for 52.5% of Spain's total foreign investments in 1997.

In Europe, Spain regards its inclusion among the group of countries that met the demanding requirements of monetary union as having arrived on time, thus breaking with the deep-rooted tradition of nearly always being a latecomer to progress or joining in a particular or different way. In addition to scoring a brilliant achievement on this occasion, even faring better than several of the European heavyweights, Spain secured the added prestige of having demonstrated a notable level of development and capacity to undertake ventures which require vitality, organisation, discipline and rigour. Our nation therefore won the deserved respect of the international community and is currently among the lead group.

The historic moment of convergence cannot and must not be regarded merely as the attainment of a goal, but above all as a good point of departure for accomplishing a task: that of stabilising and making customary a set of economic parameters which should become consolidated in the future. This means that the hardest part is yet to be done, and we should therefore not let up. What has been achieved is a good starting point rather than a goal.

Perhaps the importance of the European project for our country's stability is not sufficiently valued. Inconstancy and see-sawing will no longer be possible in economic policy. The objectives are known and the methods, in order to be considered appropriate, must be aimed at achieving them. The experience gained and the successes achieved will rule out procedures that are utopian, revolutionary or opposed to those which reaped such good results.

1998 witnessed a number of internal EU battles in which Spain defended its interests tenaciously. Its reaction to some of the «rich» countries' plans to renationalise funding has been dealt with earlier. As regards farming, an area which is losing economic importance yet provokes a special

sensitivity among the population, the problem of olive oil subsidies was debated. Although the formula finally agreed on did not fully satisfy Spain's desideratum, it was much nearer to the latter than the European commissioner's initial proposal. Our government's protests to the EU and to the French government about French attacks on Spanish lorry drivers—another problem with particular impact on Spanish public opinion—brought about radical changes in the situation during the year. By and large, although it might seem that conflicts of this kind show the EU in an unfavourable light, they do not outweigh the huge benefits the Union affords. Suffice it to recall the situation of the Spanish olive groves before we joined the European Community or the progress made in infrastructure. It is thus not surprising that Spaniards are among the most ardent supporters of the introduction of the euro as single European currency. Nonetheless, we will have to come to terms with the idea that it will be necessary to accept some degree of national co-financing of farming subsidies given the difficulties of raising more than the current ceiling of 1.27% of GDP and the accession of new EU members.

Spanish territory continues to be of strategic interest both currently and vis-à-vis new army missions. This was evidenced by the US request—well received by the Spanish government in principle—for nuclear-powered vessels to be authorised to dock at the port of Tarragona. Further proof is America's interest in strengthening the base at Rota, which plays an important role within the NATO alliance, unlike the Gibraltar base which now has practically no military significance.

In the sphere of foreign policy, Spanish politicians, military and diplomats have acquired considerable prestige, while our businessmen and scientists are going from strength to strength. Spaniards continued to be appointed to international posts involving great responsibility. The excellent results of the convergence effort enabled a Spanish economist to be included among the few board members of the European Central Bank. All the surveys carried out in 1998 reveal the Spanish population's growing awareness of Spain's increasingly important role in the international scene.

The vitality the polls reveal is reflected in the degree of initiative that can be observed on that same scene. In striving to protect Spain's national interests, our representatives proposed a general, constructive formula, seeking fairer solutions to the future funding of the EU, including elements of progressivity. The European Parliament's rejection on 19

November of Germany's attempt to withdraw the Cohesion Funds from the countries that achieve Monetary Union backed Spain's position considerably. Our nation reacted promptly to the financial crisis, proposing a global response to the International Monetary Fund, the European Union and the United States, and provided an example of solidarity by increasing its contribution to the IMF by 3 billion dollars to cope with emergency situations. However, Spain was particularly belligerent and played a truly leading role in bolstering the economies of the Latin American countries. It proposed that the G7 set up a fund to support the economic stability of those countries. At the Pörts-chach summit, in addition to proposing that a special summit on terrorism and organised crime be held in Madrid in 1999, it promoted the idea of exercising solidarity with Latin America to prevent it being affected by the international financial crisis. The Spanish proposal, which was crowned with success, served to cause Europe's interest in that region to become evident. But above all Spain's role should be stressed as champion among the EU countries of the initiative of economic aid to the Central American countries affected by hurricane Mitch and the proposal of condonation or relief of their external debt. These interventions were backed morally by the Spanish government's decision to contribute 27.5 billion pesetas, including the condonation of 8.43 billion pesetas in debt until 2001. This measure is in line with the rapid and generous reaction of the Spanish people, who once more showed signs of their sensitivity and deep sense of solidarity. This energetic effort, which included an interesting military contribution and was embodied by the presence of the Prince of Asturias accompanied by the deputy president of the government in the disaster-stricken area, is also proof of the vitality and sense of history of Spanish people as a whole.

The proposal regarding Gibraltar, which evidences Spain's ongoing determination to settle the dispute with the United Kingdom, deserves special mention. The anachronistic nature of the situation—the survival of a colony on Spanish territory—is even more striking and surprising at the turn of the century and bearing in mind that the two countries, Spain and Britain, are allies. It is even odd that the situation of Gibraltar and the regrettable episodes that characterise the history of the colony, such as the artful appropriation of the isthmus, should not cause Britain's cultured society to blush now that the 21st century is just around the corner and Europe is on the way to achieving political union.

Spain proved that it has good reflexes in the conflicts that flared in our continent in 1998. It likewise displayed a sensible attitude during the Gulf

crisis at the beginning of the year. The successful outcome of the episode for the United Nations Secretary-General bore out the appropriateness of Spain's formula of solidarity with the allies combined with faith in the possibility of a solution proposed by the international organisation. In the Kosovo conflict, our nation did not hesitate to advocate a combination of diplomacy and force. Spanish aircraft played a major role in the aerial demonstration «Determined Falcon» and a marine infantry company took part in the NATO manoeuvres carried out in Albania in August. The international contingent charged with the task of ensuring that Serbia complies with the conditions imposed on it will include a group of Spanish observers. When the possibility of an intervention in Kosovo arose, Spain offered to provide four F-18s and a C-130. However, it did not go along with the United Nations' request for blue helmets for Lebanon. This decision, seemingly out of keeping with the interest the president of the government showed in the problems of that area during his visit to Israel, was justified by the fact that it coincided with the Kosovo crisis, which could eventually require ground forces to be sent.

As for Bosnia, in June the Spanish council of ministers extended Spain's participation in SFOR for a further twelve months. Spain continues to achieve high levels of military efficiency and performance in these external operations.

Spain's offer to NATO's Defence Planning Questionnaire (DPO) to head a Multinational Division to which it would supply a Brigade is being put on hold until the organisation embarks on the restructuring of its forces once that of its command headquarters has been completed. NATO took note of this offer and will bear it in mind when designing these new forces.

Spain's announced entry into the NAEW (NATO Airborne Early Warning) force came at the end of the year through an agreement of the Spanish council of ministers. In 1998 the country contributed to the cost of operations, maintenance and modernisation of that force, establishing its presence though a contribution of some 50 officers and NCOs. It is assumed that this contribution to the NAEW will be conducive to the establishment of orbits over our territory in the event of a crisis in north Africa and is therefore an interesting deterrent and support element.

Work to form the Southeast Subregional Command in Retamares (Madrid) continued in 1998. The difficulties concerning the funding of the infrastructure that arose from Greece's and Turkey's failure to agree on the capacity package of the Southern command structure were overcome by

Spain's determination to forge ahead with this programme, which currently looks set to be completed according to schedule. The draft of the terms of reference has been prepared and the Spanish lieutenant general appointed in charge. The strong international demand for sending personnel to this command headquarters reflects our allies' interest in this command.

Considerable headway was also made in 1998 in co-ordinating the Manoeuvre Force. The efforts to reorganise the army, which have been tirelessly pursued since the beginning of the eighties, enabled lost time to be made up for and, in some aspects, even spurred Spain to adopt fairly advanced positions; this is quite an achievement bearing in mind the many difficulties stemming from the budgetary constraint that has affected the armed forces in recent years. One of the tasks carried out by the armed forces in 1998 was to define and negotiate the posts to be held by Spanish commanders at the NATO command headquarters. Some of the most recent legal requirements will facilitate this operation owing to their flexibility and clarification of international equalisation. As we approach year end, the possibility remains of endowing the Spanish-based Subregional Command with a certain level of CJTF capacity. This possibility stems from the advisability of balancing response capacities in the South-ern Region, as there is a noticeable lower command density in the west-ern part.

The Spanish-Italian agreement to organise a multinational amphibious force between the two countries has been brought to fruition, coming into force in Barcelona on 23 November. Spain, France and Italy, whose special concern about the Mediterranean has given rise to different units and a variety of initiatives (in which Portugal, now a member of EUROFOR, will be taking part) are now joined by Germany, which has shown an interest in the area.

Of the exercises in which Spain participated in 1998, special mention should be given to «Strong Resolve», since it was conducted in our country, and also on account of its size (it is the biggest exercise NATO has carried out to date), importance in validating the CJTF concept and because once again it reaffirmed Spain's Host Nation Support capacity.

This year the ministry of defence decided to integrate higher military education, which will be provided at the centre for national defence studies (CESEDEN). The coming courses will incorporate the new formula.

CHAPTER THREE

CENTRAL AND EASTERN EUROPE

CENTRAL AND EASTERN EUROPE

By RICARDO ÁLVAREZ-MALDONADO MUELA

INTRODUCTION. FRAMEWORK OF THE STUDY

For reasons stated in the 1997-1998 edition of this «Strategic Panorama» it is considered that Central Europe comprises Poland, Hungary, the Czech Republic, Slovakia, Slovenia and Romania, while Eastern Europe encompasses all the European republics of the former Soviet Republic—including Russia, naturally.

Owing to its geopolitical importance, most of this article must necessarily be devoted to the Russian Federation, particularly since its current internal instability is a risk factor with worldwide implications and calls for an in-depth analysis of the situation in 1998. And as European Russia cannot be dissociated from the rest of the Russian Federation, we must consider this vast country as a whole, although a good part of it stretches into Asia.

CENTRAL EUROPE

As mentioned above, this region is defined as the four Visegrad countries—Poland, Hungary, the Czech Republic and Slovakia—and also Slovenia and Romania, even though geographically speaking they are predominantly Balkan states.

This mosaic of states inhabited by heterogeneous populations is set inside artificial borders that enclose minorities from neighbouring states.

This situation has given rise in the past to grievances, some of which have not yet healed.

The disorientation caused by the series of surprising changes which begun in 1990 led all these countries to branch out in different directions until they finally decided that their future lay to the West. The return to Europe, of which they felt themselves to be a substantial part, separated only by the vicissitudes of recent history, was the slogan launched by their political leaders. The radical change of situation was conducive to the re-encounter of the divided Europes and, as a corollary, eastward enlargement of the European geopolitical area.

All these countries set their sights on Europe's most consolidated institutions—the European Union, and the Atlantic alliance with its European pillar and American backing.

In the first, they seek a solution to their economic problems and in the second sound guarantees of their security, apart from the political advantages belonging to both organisations entails.

These are the chief foreign-policy objectives of all the countries and as such have priority over historical claims.

The condition of «good neighbourly relations», required both by NATO and the EU of their members, has prompted adjacent nations to sign a series of treaties and bilateral agreements aimed at settling pending disputes over borders and minorities.

Despite this, the problems have not yet been solved—not even in Transylvania which has 1.7 million inhabitants of Hungarian origin, or in Slovakia where 600,000 live. Slovakia has yet to enact the laws protecting the Magyar minority as laid down in the treaty signed with Hungary. In Transylvania, Hungarians and Romanians are on the defensive and regard each other with suspicion. The city of Cluj, whose Magyar university remains closed in order to prevent conflicts, is a sensitive issue which causes clashes between the two.

While official relations between Bucharest and Budapest are «better than ever», and it has been decided to build a motorway linking the two cities, there continues to be tension among the people. Romanian nationalists complain that the government is fostering the «magyarisation» of Transylvania by allowing bilingual signposts.

All the Central European nations are currently parliamentary democracies with a variety of parties that run the full political spectrum—a situation

which generally makes for coalition governments. Communist parties with a more moderate ideology and political leaders from the former regime persist in almost all of them.

The establishment of a true democracy is coming up against most resistance in Slovakia. In May 1998 prime minister Vladimir Meciar cancelled the referendum called to elect a president of the republic and declared himself head of state. Mr Meciar is a former communist who has converted to radical nationalism. A question mark continues to hang over Slovakia's candidacy for both the EU and NATO, since the country does not acknowledge certain rights of the opposition and, as mentioned earlier, has yet to apply the laws laying down respect for minorities. Mr Meciar's opponents won the legislative elections held in September 1998, which could mean a shift to a policy that is more acceptable to the West.

The following political events are also worthy of mention:

The government crisis which erupted in Romania in March 1998 lasted for three months. It caused a negative impact on the country's economy and conveyed a counterproductive image of instability to the outside world.

The prime minister of the Czech Republic was forced to resign in November 1997 owing to a scandal over illegal financing.

Poland approved its first constitution as a democracy. Although the constitution takes into account the weight and influence of the Roman Catholic Church, the latter is not satisfied about the ambiguous treatment of abortion. The Polish clergy do not seem to find the non-denominational democratic regime to their liking. In this connection it is worth considering the work of the Polish Pope John Paul II who, from behind the scenes, played a major part in Poland's rapprochement with the West and used his influence to overthrow the communist regime.

Following the election of president Milan Lucan in November 1997, democracy in Slovenia is continuing to become consolidated, though without a sound economy to underpin it, the political stability of a democratic regime is difficult to maintain.

From 1985 to 1995 the GDP of all these countries except Poland fell steadily. Economic recovery began six years after the start of the transition from a state-controlled to a free-market system. The cost of this process has mainly been borne by workers and civil servants, who now feel disap-

pointed and yearn in part for the previous regime. The loans granted by the IMF and the World Bank to some of these countries have imposed an economic discipline that is stoically endured by the impoverished populations, who find some relief in parallel economic activities.

The most thriving nations are Slovenia, whose per capita income in 1997 was slightly lower than that of Greece, and the Czech Republic. However, the latter recorded a slow-down in 1998.

The weakest economies are Romania and Slovakia. All the other countries had higher per capita incomes than Russia in 1997. Even so, Slovakia has proved that it is economically viable as a new state separate from the Czech Republic.

Central Europe's main supplier and customer is the EU and, of the member states, the Federal Republic of Germany. Russia is its main supplier of energy resources.

The Czech Republic joined the OECD in 1995 and Poland and Hungary followed suit in 1996. This is interpreted as recognition that their economies are in good shape, although the Russian crisis of summer 1998 could slow down their progress.

All the countries except Hungary earmarked over 2% of their GDP to defence. A higher percentage will be required for the countries to update their military equipment—which is mostly Soviet-produced—and those who join NATO will need to make it compatible with that of their future allies.

According to the results of referendums and opinion polls, the goal of NATO membership, fervently pursued by almost all the region's political leaders, does not arouse much enthusiasm among the people of some Central European nations, mainly the Czech Republic. They show more support for accession to the EU, where their representatives have been able to express their opinions at the Council of Ministers since 1994 though they are not entitled to vote.

The future accession of all these countries to both NATO and the EU will be analysed in detail later on.

THE BALTIC STATES

In 1998 Estonia's and Lithuania's border problems with Russia remained unsettled, as did those of the Russian minorities living in those countries.

Serious problems arose in Latvia over the naturalisation of the Russian minority (who no longer have Russian passports) since, in order to be granted Latvian citizenship, it is necessary to master the Latvian language—a requisite which prevented 700,000 inhabitants (28% or so of the population) of Russian origin from obtaining that nationality. The referendum held in October 1998 in favour of integrating the Russian minority marked a step towards a solution.

By 1996 the three countries were on the road to economic recovery, particularly Estonia whose performance greatly satisfied the IMF as its GDP grew over 3% while inflation fell. These results led Estonia to be included in the first group of six applicants to begin membership negotiations.

Estonia's main customers and suppliers are the EU and Finland. The EU, and particularly Germany, are those of the other two. Russia takes third place overall with a much lower volume of trade.

The three republics rejected a Russian security model in exchange for relinquishing NATO membership. Although the organisation claims that they would have to settle once and for all the problems of borders and Russian minorities in order to qualify for membership, it in fact is hesitating over the advisability of expanding as far as the Gulf of Finland.

On 16 February 1998 the three presidents of the Baltic republics signed a Partnership Charter with the USA in Washington. Although this document does not contain explicit military guarantees, it does support these three states' candidacy for joining NATO and establishes the setting up of a «Defence Council», in addition to other political and economic bodies.

Since only two of the sixteen allies currently support the applications of the three countries, the «Partnership Charter» is merely a substitute for membership, however much «these countries' concern about Russia and their legitimate wish to join western institutions» are understandable.

THE COMMONWEALTH OF INDEPENDENT STATES (CIS)

Of the twelve states which make up the CIS, only four are located in Eastern Europe—Ukraine, Belarus, Moldova and Russia, although three quarters of Russian territory are in Asia.

The three Slavic states—Russia, Ukraine and Belarus—share the same ethnic group, culture and history, a fact which makes their people more inclined than the rest of the CIS to support a project for a shared future. This is particularly the case of Russia and Belarus.

Ukraine is divided among Russians and pro-Russians on the one hand, and nationalist western Ukrainians on the other. In Ukraine, homing instinct towards big brother Russia is offset by the attraction of the West and this balance prevents the state being torn into two.

Russia, in its role of big brother, astutely brandishes its energy resources to lure the two smaller states towards it.

Moldova, formerly part of Romania and with a Romanian majority, is hesitating over whether to return to the mother country. Such a move is strongly opposed by its pro-Russian population and by the Ukrainians of Transdnister.

The five Central Asian countries, the former Russian Turkistan and the three Transcaucasian republics will be dealt with later on when the Russian Federation's foreign policy is analysed.

In the CIS, outside Russia, there are some twenty five million Russians—the so-called «red-feet». Russian culture and the Russian language dominate the commonwealth. Migrations of Russians to Russia mainly from Central Asia have recently been detected.

The economic situation of the CIS is as critical as that of Russia which is attempting, with varying success, to hold on to its influence. Russia's objectives in what is termed the «near abroad» will be addressed in greater depth later on.

Ukraine

This country, which has the biggest area and population of the CIS after Russia and Kazakhstan, has managed to settle its differences with the former, including the thorny issue of the sovereignty of Crimea, as well as reaching favourable economic agreements.

Since Ukraine gained its independence, its GDP has fallen by an average of 10% annually. Its per capita income is well below that of Russia, although the World Bank reckons that the statistics do not take into account a very high percentage of its real GDP.

The existence of a hidden economy and the fact that surplus state employees are continuing to receive a salary explain to an extent the lack of serious social tension, although the miners of the Donets Coal Basin, whom the government is usually late in paying, have staged a series of strikes. In 1996, Ukraine's economic policy appeared to conform to the IMF's recommendations, though Pavel Lazarenko, then prime minister, who was forced to resign in July 1997, gradually switched to slower, less drastic measures and halted privatisation.

Russia's economic influence in Ukraine is mainly evidenced by the activity of the powerful Gazprom which controls no less than 25% of world gas production and exports to Ukraine, where it has government support. In addition, many of the oil and gas pipelines which supply Central Europe run through Ukraine.

Ukraine's political regime is markedly presidentialist. The president of the republic, Leonid Kuchma, has progressively strengthened his power, and has the foreign, defence, interior and information ministers under his personal sway.

The communist party won the most votes in the legislative elections in May 1998, with the result that the current parliament is much more left-wing than the previous one.

By and large, Ukrainians believe that the IMF-imposed reforms could rescue the country from its plight in the long term, but in the short term only bring hardship and suffering to the neediest. Hence the result of the latest elections.

1997 was a particularly hard year for Ukraine's economy and the results of 1998 could be even worse. In September 1998, the IMF lent Ukraine \$2 billion to help it fend off the financial problems Russia faced the previous month.

The Ukrainian government recently announced it was starting up a new programme to get its ailing economy back into shape. As on other occasions, whether or not it is properly implemented will depend on how the people accept its societal costs.

Belarus

The strong man in Belarus is Alexander Lukashenko, president elect since 1994. Two years later, through a referendum which the opposition criticised

as being antidemocratic, Mr Lukashenka managed to amend the Constitution so as to grant himself wider powers and thus extend his mandate until 2001. The Supreme Soviet was replaced by the House of Representatives, the seats of which were largely occupied by those who had not opposed the president's designs. An authoritarian, Mr Lukashenka has not hesitated to use the police expeditiously to crush anti-government demonstrations.

Mr Lukashenka aspires to reunite Belarus and Russia. The first step was to set up the so-called «Union of Sovereign Republics of Russia and Belarus», followed by bilateral agreements which strengthened even further the ties between these two CIS states.

Mr Lukashenka heads the customs union that has grouped together Belarus, Russia, Kazakhstan and Kirgizstan since March 1996.

Of all the CIS members, Belarus is the only one whose GDP has shown a slight growth over the past two years. It also has the lowest unemployment rate and its per capita income in 1997 was similar to Russia's, higher than that of all the CIS countries. Since Russia is Belarus's main supplier and customer, the Russian crisis of summer 1998 will undoubtedly have had a negative impact—yet to be evaluated—on its economy.

Boris Yeltsin and Alexander Lukashenka responded to the «Partnership Charter» signed in Washington by the USA and the three former soviet Baltic republics by meeting in Moscow to agree on the beginnings of a common military policy and organisation of Russian-Belarusian defence in the event of external aggression. Belarus is the CIS country nearest the Russian enclave of Kaliningrad, where Russia has a military presence.

Moldova

In the December 1996 elections the pro-West candidate was defeated by the current president of the republic, Petru Lucinski, a renowned Russian speaker.

After the problem of the secessionist republic of Transdniestria was settled, relations between the latter and the rest of the country returned to normal, and Moldova was left with its 1990 borders.

In the economic sphere, hopes of recovery have faded: Moldova's GDP has slumped, its standard of living has fallen and unemployment has risen.

Given Moldova's dependence on Russia and its Russophile ruling class, only the unlikely event of Ukraine's withdrawal from the CIS and rap-

prochement with the West could drag Moldova in this direction.

Moreover, in the legislative elections in March 1988 the most votes were polled by the communists, followed by the Democratic Convention, which advocates a pro-Russian independent sovereign state.

THE RUSSIAN FEDERATION

Makeup and political organisation

Although it is called a «federation», the Russian state governed by the 1993 Constitution is not strictly speaking a federal political unit since its 89 autonomous units (republics, territories, regions and districts) do not have the same powers and also vary greatly in size, wealth and population.

Of its population, 80% belong to the Russian ethnic group and 20% are of varying origin. The net demographic balance of the Russians is negative, despite the return of many from states belonging to the former Soviet Union.

The differences in wealth between the different federal entities are vast. The GDP of Dagestan, the poorest republic, is seven times smaller than that of the oil-producing region of Tyumen. Many of the republics that are rich in raw materials are reluctant to help those that lack them.

Owing to the shortcomings of the road network, the least accessible regions are becoming increasingly marginalised. This is particularly the case of the Far East, where poverty is largely due to isolation. Central government, much weakened since the dismantling of the USSR, is proving incapable of correcting the regional imbalances.

The bad example provided by the break-up of the USSR has strengthened the centrifugal forces at work in the Russian Federation since it came into being. A centralist tendency has recently emerged as a reaction.

The autonomous entities have been granted different powers in tax matters. Of the 89, twenty or so have different economic arrangements with Moscow whereby they are allowed to withhold and levy taxes. This gives them greater political clout and hinders the collection of federal taxes.

The economic crisis of August 1998 was followed by a change of government, with the appointment of Yevgeny Primakov as prime minister.

The new premier denounced the «economic separatism» of the regional governors who had adopted measures that did not comply with federal laws, such as refusing to pay the taxes owed to the central government. Mr Primakov even asked the Duma to enact a law enabling regional authorities who defy federal legislation to be dismissed. Many governors replied that, instead of threatening with coercive measures, what the federal government needed to do was take coherent action to put an end to the crisis and prevent taxpayers' money being squandered by corrupt civil servants in Moscow; since this was not the case, they were duty bound to ensure their fellow citizens' survival.

Unlike the Soviet constitution, the 1993 Russian constitution does not grant the autonomous entities the right to self-determination and, therefore, secession. Hence the importance as a precedent of the definitive solution to the dispute over Chechnya, which has harboured an inextinguishable desire for independence for many years. As is well-known, the solution has been postponed until 2001.

Chechnya's current president elect, Asian Masjadov, who signed the armistice in 1996 as representative of the Chechen rebel army, displays an increasingly conciliatory stance, though he is under pressure from guerrilla leader Shamil Bassev. However, all Chechen politicians with high-ranking posts are conditioned by the inescapable need to rebuild their country from the rubble and their only salvation is to exploit the pipeline which conveys oil from the Caspian to the Black Sea across Chechnya. The Chechen company Yunko has a hand in the business, together with the Russian oil companies.

Moscow is confident of being able to wield sufficient economic pressure to dissuade the Chechen governors from obtaining independence and make them settle for wide autonomy within the constitutional framework of the Russian Federation. Meanwhile, a security zone has been set up at the border to prevent guerrilla groups from operating in, or influencing, the northern Caucasus, particularly Dagestan, which has a Chechen minority. Law and order in Chechnya itself is disrupted by radical Islamic groups such as the one which attempted to assassinate President Masjadov in July 1998. The president was miraculously unharmed.

A new threat of separatism emerged in November 1998 in the republic of Kalmykia, whose President Kirsan Iliumjinov stated he was in favour of «partial» separation from the Russian federation, making Kalmykia a «partner member». Mr Iliumjinov claims that Kalmykia has already ceased de

facto to be part of the Russian Federation, since it has not received its allocations from the federal budget for many months.

The so-called «economic separatism» of the most prosperous regions of the Federation is one of the main problems Mr Primakov faces.

Internal situation

The political, economic and social situation of the Russian Federation did not improve in 1998. On the contrary, the hopes of a «moderate» economic upswing were dashed. This was mainly due to two external factors, apart from internal causes—the financial turmoil in Asia and the fall in hydrocarbon prices. In late 1997 the IMF predicted the beginning of Russia's economic recovery. This forecast turned out to be wide off the mark.

It could be said that the political year in Russia began on 19 January 1998 when Boris Yeltsin returned to his Kremlin office after forty days' absence due, once again, to health reasons. As on previous occasions, the President of the Russian Federation did not resign his powers as laid down by the Constitution, but took with him his briefcase containing the keys to the «nuclear trigger».

Having returned to the political arena, he promptly chastised his prime minister Viktor Chernomyrdin for the government's failure to keep its promise to civil servants, FAS members and retired persons that their wage and pension arrears would be paid off by 31 December 1997.

The tension between President Yeltsin and Mr Chernomyrdin who, as well as prime minister, was the leader of the Russian government party «Our Home is Russia» and presidential candidate in the forthcoming elections, came to a head when Mr Yeltsin decided to sack the premier and the rest of the government, appointing in his place—much to everyone's surprise—Sergei Kiriyenko, a young 35-year old technocrat recently raised to the post of energy and fuel minister.

Although the Duma (dominated by Guennadi Zyuganov's communists and the nationalist extremists led by the ill-tempered Vladimir Zirinovsky) initially refused to approve Mr Kiriyenko's appointment, it eventually yielded. The Duma thus acted as usual, backing down at the last minute, fearing the political suicide entailed by early legislative elections and the possibility of losing their privileges.

According to Boris Yeltsin, Mr Chernomyrdin was dismissed because

of the people's malaise on finding their situation did not improve and owing to the government's lack of drive in carrying out the programme of reforms outlined by Mr Chubais—strict financial control, industrial restructuring, mainly of the gas and oil monopolies, payment of overdue taxes and a balanced budget.

The interpretation of this government crisis was that Mr Chernomyrdin, deterred perhaps by the high social costs, had not dared implement the radical reforms with the firm hand the situation required.

Mr Kiriyenko formed a government in April 1998, keeping some of the former cabinet members such as defence minister General Sergenev and foreign minister Primakov, thus implying continuity in foreign and defence policy.

Mr Kiriyenko's rise to power, as champion of reform, was welcomed by the IMF, which had frozen a \$670 million tranche of a total sum of \$10 billion lent to Russia for 1996-1998. The IMF used the failure of the Russian executive's fiscal policy to justify holding back this payment, but gave the go-ahead when change was promised. However, this brought only slight relief. Russia needed much more. Hence negotiations for a new, substantial bail-out package.

This hefty \$22.6 billion loan, which was granted by the IMF and World Bank in July 1998 and was intended to be paid out over a period of 18 months, was made conditional on Russia's implementation of a reform package that the Duma did not agree on.

In August 1998 the economic turmoil heightened: Russian banks were offering loans at 150%; most workers and civil servants had not been paid their wages for over six months; the rouble, although protected by exchange-rate parity, fell to half of its 1996 value and a twentieth of what it was worth in 1992; accumulated inflation since January 1998 stood at 35%; and, despite the money the Russian central bank had poured into sustaining its currency, it was forced de facto to devalue the rouble by widening its exchange rate band by over 30%.

The \$4.8 billion of the first tranche of the \$22.6 billion loan granted by the IMF and the World Bank to rescue Russia from its economic standstill evaporated in the Russian issuing bank's vain endeavour to sustain its currency.

On 24 August 1998 Boris Yeltsin sacked Sergei Kiriyenko, who had

struggled to carry out the reforms that his predecessor Mr Chernomyrdin merely delayed. Paradoxically, the latter was entrusted by Mr Yeltsin to form a government.

Although Mr Yeltsin is unpredictable by nature, his way of handling the crisis surprised even the most expert analysts, who could not have foreseen a change of mind regarding the reasons for replacing Mr Chernomyrdin by Mr Kiriyenko five months earlier.

It is suspected that the new capitalist oligarchy had a hand in triggering this crisis, particularly the leading finance and media mogul Boris Beresovski.

Entrusted with the task of forming a government, Mr Chernomyrdin negotiated an economic rescue programme that envisaged nationalising the banking sector and strategic companies, state protection of raw materials monopolies and other stabilising measures that represented an about turn in the economic policy followed by the previous government. To think that the IMF would authorise the second payment of the loan granted in July 1998 amounted to squaring the circle.

Mr Chubais, who had negotiated the IMF loan, was sacked despite his undeniably successful handling of affairs.

Apart from the aforementioned anti-crisis plan, a political agreement was also negotiated with the two houses of parliament in order to grant them greater control over the executive and to limit the powers bestowed by the 1993 Constitution on the president of the Russian Federation, among them the power to order and approve the formation of governments, to dismiss ministers, to dissolve the Duma if it refuses third time around to ratify the appointment of a prime minister proposed by the president and to intervene in economic policy management.

Despite all these concessions to strengthen the political role of the Duma, on 30 August its communist, extreme nationalist and reformist deputies refused to approve the choice of Mr Chernomyrdin as head of government. Mr Yeltsin's persistence in keeping Mr Chernomyrdin as his candidate led to another refusal from the Duma a week later.

Fear of a third failure, which would have resulted in the dissolution of the Duma and an inadvisable power vacuum in very difficult economic and social circumstances, called for a compromise solution.

The solution was Yevgeny Primakov, a 70-year old who had been

foreign minister since 1996 and a member of the former Soviet Communist Party and the Politburo when Mikhail Gorbachev was in power. Indeed, it was Mr Gorbachev who promoted him as a politician within the party. Mr Primakov is, above all, a good diplomat and skilful negotiator, and is able to cope with even the most difficult situations.

Being forced to yield to the Duma for the first time marked a painful setback for the omnipotent Mr Yeltsin, whose loss of power was evident.

His acceptance of Mr Primakov as a candidate on 12 September 1998 was a response to the need to find a compromise solution to fill the power gap left by Mr Kiriyenko the previous 23 August.

Although Mr Primakov obtained the majority vote of the Duma (317 deputies out of the 450), he found it difficult to form a co-ordinated government. On 27 September the recently appointed deputy premier Alexander Shojin, of the «Our Home is Russia» party resigned. The communists were also reluctant to offer Mr Primakov unconditional support.

The policy Mr Primakov has pursued so far can be called ambiguous: he promises reform outwardly, but inwardly, in order to cope with the social and economic realities, he has had to authorise the issuance of paper money without cover in order to pay wage arrears, unfreeze bank accounts and subsidise part of the disastrous industry. He has also embarked on the path of renationalisation without raising alarm: the new subsidies available are for debt relief, and the state acquires the equivalent share capital of the subsidised companies.

To make things worse, shortly after Mr Primakov came to power irregularities were discovered in the management of the loans granted by the IMF, a fact which did not precisely encourage the Fund to unfreeze the \$4.3 billion of the second tranche of the latest package.

If the economic outlook is unpromising, the social picture is bleak—millions of citizens are still waiting to be paid what the state owes them. According to different sources, over fifty percent live in worse than minimum subsistence conditions.

On the social front, the salient features of 1998 were the repeated strikes staged by the miners of the Kuznetsk Basin (western Siberia) and the Russian Far East, who blocked freight traffic along a number of essential railway lines such as the trans-Siberian and the trans-Caucasian routes. On 7 October 1998 the communist party managed to mobilise

several million workers across the country, who protested at Mr Yeltsin and

demanded the wages they were owed.

Although, contrary to predictions, Russian society has not yet erupted and continues to display its proverbial resignation, its faith in reforms and reformers is waning. This could translate into a large percentage of votes for the communists in the next legislative elections.

It should be added that uncontrolled privatisation in the difficult and as yet incomplete transition to a multiparty democracy has enabled many fortunes to be amassed and given rise to a powerful oligarchy who form corrupt political parties involved in private businesses. Moreover, bureaucracy has still not managed to shake off the heavy burden of Soviet times and much of the administration is corrupt and organised crime activity omnipresent.

In order to engage in any professional activity one needs to have one's back covered by an official or private «protector». Rumour has it that the best protector in Moscow is the mayor of the capital, Yuri Luzhkov, one of the candidates for president in the 2000 elections.

In view of the harsh winter that is approaching, with food shortages that are partly due to this year's grain harvest—the worst for forty years—the US has granted Russia a \$600 million loan at 2%, repayable over 20 years, to purchase staple foods from US farmers. Part of this amount will be paid in kind. Washington has undertaken to send 1,500 tonnes of corn and 100,000 tonnes of other foodstuffs free. In 1998 the US had huge surpluses of cereals.

To Russia's many problems should be added the attacks on politicians. The liberal party deputy Galina Starovoitova was assassinated in St Petersburg on 21 November 1998, the sixth member of the Duma to have met such a fate since 1994. Mrs Starovoitova was an enthusiastic reformer and anti-Communist.

Owing to the lack of personal security, there are currently thousands of private security companies, in addition to the state, regional and local law enforcement bodies.

Russian foreign policy

It would seem that the prime objective of Russia's foreign policy is to consolidate its influence in the Commonwealth of Independent States set up after the break-up of the Soviet Union. This would be the first step towards establishing a confederation of nations with a predominantly Russian culture and political affinity.

Nostalgia for the past is powerful. As Mikhail Gorbachev writes in his memoirs, «Russia is the legitimate heir of the USSR and should be the nucleus of a new union». According to him, «reintegration will only be possible if we find an idea that enables the peoples to rise above their national identity. We realise we are different from Europe and the West and feel the need to join together again». Mr Gorbachev, who maintains that the union could and should have been saved, was in favour of commencing reunification with the three Slavic republics and Kazakhstan.

The presidents of Russia, Belarus, Kazakhstan and Kirgizstan seemed to have Mr Gorbachev's model in mind when they agreed to deepen their economic and cultural integration on 29 March 1996, paving the way for future reunification. Ukraine, reluctant to forsake an ounce of sovereignty, did not take part.

Shortly afterwards, Russia and Belarus created the so-called Union of Sovereign Republics and continued to strengthen their links. The treaty establishes common citizenship, the regrouping of the two countries' armed forces and a convergent foreign policy. The president of Belarus, Alexander Luka-shenka, has even stated that the countries should be reunified. In January 1998 Russia and Belarus went one step further, developing the basic principles of a common military policy and defence organisation for the Union.

The signing of this agreement on 22 January 1998 coincided with an important summit of Baltic states attended by the Russian prime minister. The agreement was undoubtedly a response to the United States-Baltic charter signed in Washington several days previously, which can be interpreted either as a consolation prize or as a step towards the future NATO membership of the three republics.

As for Ukraine, Russia managed to solve the deadlocked problem of the distribution of the Black Sea soviet fleet and the status of the Sevastopol naval base as well as the thorny issue of Ukrainian sovereignty of the Russian peninsula of Crimea. The May 1997 treaty signed by Boris Yeltsin and Ukrainian president Leonid Kutchman marked the recognition of Ukraine's present borders. Apart from a brief period during the 1917-1921 civil war, Ukraine has always been close to Russia and was considered by most Russians to be an integral part of Russia. Important trade agreements highly favourable to Ukraine were also signed by the two countries in 1997. All this has contributed to a rapprochement of the two principal

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states of the former Soviet Union. Ukraine is undoubtedly the most important piece in the Eastern European geopolitical chessboard.

Russia has signed trade and bilateral military agreements with all the countries of Central Asia, thus securing de facto control over all the strategic installations in the region, among them, the space launch and monitoring centre at Bailakur, in Kazakhstan, whose President Nursultan Nazarbayev is a fervent supporter of consolidating the CIS. In the Asian republics, Russia furnishes military assistance in creating new armed forces by providing advisors and keeping commanders of Russian origin in key posts. In Tajikistan, Russian military intervention brought peace and now supports an unpopular government with ideas close to Russian interests.

Russian peacekeeping troops continue to be stationed in Georgia and Armenia in the Caucasus under the aegis of different international organisations.

However, despite Russia's efforts to bring together the CIS countries at the summits it periodically organises for the heads of state and government of all these countries, there are clearly deep differences of opinion as to the concept and scope of future integration. Ultimately, all the states doubt the sincerity of their «big brother» when there is talk of a union between equals.

To counteract the pressure exerted by NATO in the West, Russia has endeavoured to strengthen its relations with China, putting an end to existing border disputes and signing agreements to curtail the military forces deployed on both sides of the borders. Furthermore, the so-called «strategic partnership» between Russia and China has boosted armaments sales and technology transfers from the former to the latter.

Despite the high-flown official declarations, the real scope of this partnership has yet to be defined. Although the two countries are reluctant to accept US hegemony indefinitely and advocate a multipolar world, they have both shared and clashing interests which are not easily overcome.

Their interests in Central Asia concur. Russia, with China's consent, took advantage of the four plus one border negotiations between Russia, Kazakhstan, Kirgizstan and Tajikistan, on the one hand, and China on the other, to consolidate its geopolitical position, offering in exchange to prevent ethnic activism and propaganda campaigns launched from these CIS countries against the inhabitants of the Chinese province of Sinkiang,

where 50% of the population are Turkic-speaking Muslim Uighurs and there are some Kazak and Kirgiz minorities. The linguistic and ethnic affinities between the people on each side of the border are cause for concern for China.

In eastern Siberia the Russian autonomous authorities are opposed to Moscow's aim to cede land to China in order to comply with the border agreements. They fear the contraband activities of Chinese traffickers across the long common border and illegal emigration to sparsely populated territories which are losing their Russian inhabitants, while the Chinese border provinces are witnessing steady demographic growth. The population of Vladivosstok, the former Russian port by the Sea of Japan, could come to be largely Chinese in a few years' time if the current trend continues. Some governors in this region are threatening to defy the commitments undertaken at central government level between Moscow and Beijing. The most vociferous and radical of these is the governor of Primorsky, who has threatened not to cede territories that are «full of Russian soldiers' graves».

The new deposits of hydrocarbons discovered in the Asian republics of Kazakhstan and Turkmenistan and the Caucasian country of Azerbaijan could, according to experts, come to produce more than Saudi Arabia in ten years' time. As a result, these states are now coveted by the western oil companies. The main task of the US embassies in Baku (Azerbaijan) and Tashkent (Uzbekistan) is to ensure that these regions remain open to free trade. Western influence in general—and particularly that of America—in both the Caucasus and Central Asia arouses Russian suspicions. In spite of Russian and Iran, Azerbaijan has signed contracts with western companies concerning the exploitation of the new deposits in the Caspian Sea, while Chevron and Mobil, among other multinationals, are now operating in Kazakhstan. Russia has the advantage that almost all the trade routes and oil and gas pipelines from those countries run through Russian territory. This ensures it is not left outside the oil trade—at least provided that alternative routes across Iran and Turkey are not used. Russia can also raise customs tariffs, mainly with Kazakhstan.

China, Russia's ally in Central Asia, may well become the biggest consumer of energy resources in the region. Kazak oil is currently transported by train to China along the Alma Ata-Beijing railway line. Russian exports to China are rising sharply.

Apart from the border disputes with China, in the Far East Russia has

yet to settle the issue of the Kuril Islands which were ceded to Russia after the second world war and are claimed by Japan. The Kuril islands enclose the Sea of Okhotsk, where the Nikolayev North naval base and the port of Magadan are located, both of which are much less important than the Russian nuclear submarine base of the Pacific Fleet in the Kamchatka peninsula, which has access to the Pacific. The Japanese prime minister Ruyturo Hashimoto did not achieve his aims at the April 1998 meeting with Boris Yeltsin. Russia and Japan are technically still at war, since they have not yet signed the treaty of peace, amity and co-operation that Russia is asking for. Russia may return the Kuril Islands in exchange for substantial economic benefits which crisis-stricken Japan cannot afford in the short term.

Russia remains determined to realise its ambitions in space aeronautics, whatever the cost, and despite its huge financial constraints. However, the successive hitches in the MIR space station are proof that it no longer enjoys supremacy in this technology. The huge satellite, which has been in orbit for over twelve years—seven more than initially planned—is expected to fall into the sea in June 1999. This will mark the end of an historic period in the space race and usher in the era of the international space station, a project in which Russia's disastrous economic situation will not allow it to participate on an equal footing with the US.

Russia's interest in continuing to play a leading role in the international scene is evidenced by its unilateral stance and disagreement in the Iraq and Kosovo crises. With respect to the latter, in October 1998 Russia opposed NATO's military intervention in Serbia on the grounds that UN Security Council Resolution 1199 did not provide legally for an armed air attack. The Russian foreign minister even insinuated that his government had in mind the possibility of offering the former Yugoslavia (Serbia and Montenegro) military aid if NATO attacked, and that its need for western aid would not cause it to change its foreign policy.

Russia's military capacity

Despite the reductions made in recent years, Russia's armed forces and other military organisations—home office troops, border guards, federation protection forces and the federal security service, among many others—currently employ over three million people.

The military reform now under way entails a drastic cut in the numbers of troops and the abolishment of compulsory military service. This reform

is not progressing at the expected pace for a number of reasons, such as the shortage of financial resources and the political struggles between the ministries and public authorities affected.

All agree that the economy cannot sustain the current numbers of armed forces without endangering training levels, equipment maintenance and procurement of more modern armaments needed to replace those that are becoming obsolete.

Despite the much-trumpeted «Glasnost», opacity continues to be the distinguishing feature of Russian military policy, and it is not known for certain what the real operational capacity of the Russian armed forces is, though everything seems to indicate that it is very low.

As for the Nuclear Deterrent Force, the Kremlin remains determined that Russia should continue to be the second nuclear world power, with an arsenal of some 6,000 warheads which would be reduced to a third if it ratifies the START II treaty. In any event, Russian nuclear power will continue to be greater than that of China, India, Pakistan, the United Kingdom and France put together.

The Russian general staff, in view of the unavoidable curtailment of the armed forces' conventional operational capacity, relies mainly on its nuclear capacity to deter the US, NATO or China from any aggression, whether nuclear or conventional. While it realises that such a hypothesis is highly unlikely today, it does not rule out the possibility that it could be less so in the future.

If it is assumed that Russian forces would be incapable of suppressing a localised peripheral conflict using conventional weapons, Russia could, in the first instance, resort to nuclear arms to prevent defeat.

The Russian general staff sees NATO's eastward enlargement as a threat to the country, since it brings the alliance's military forces nearer its borders and leaves Russia's main command, administrative, industrial and urban centres within the operational range of allied tactical air power. At present, such a threat merely undermines the deterrent effect of Russia's nuclear capacity, given the huge differences between Russia's and NATO's conventional capacity. This is one of the reasons why the Duma have so far refused to ratify START II.

Russia's military capacity includes communications and reconnaissance satellite systems, as well as electronic warfare and precision navi-

gation systems. In this field, Russia is second only to the United States. Although many of these systems are shared by other CIS states as established by treaty, Russia controls them all, just as it owns the groupings of satellites.

The military industry continues to be extremely important to Russia's economy, even though production has slumped in recent years and workers have been laid off. Even so, sales of arms to foreign countries earned Russia \$4 billion in profits in 1997. However, it was unable to match this figure in 1998 owing to the economic recession of the Asian markets.

In any event, arms sales will continue to be a good source of income for the ailing Russian economy. Some of these arms are the medium-range missiles to which the USA and all its western allies proved particularly sensitive following the experience of the SCUD missiles launched against Israel during the Gulf war. Russia is constrained by its membership of the so-called «Missile Technology Control Regime», though, according to its own interpretation, this does not apply to sales to certain customers.

The military in the Russian Federation's domestic policy

The cutbacks in troops and defence allocations following the break-up of the Soviet Union and its Armed Forces left the officer corps, accustomed as it was to privileges, dissatisfied and traumatised.

Today, the perceptions and leanings of most of the officers on active service can be summed up as follows: they consider themselves to be disregarded by all the political institutions and are highly critical of Boris Yeltsin, whom they hold responsible for the current instability of the Russian armed forces; they are more concerned than civilians about lack of respect for law and the precariousness of public order; they yearn for the Soviet Union and call for the restoration of a new union, basically formed by the Slavic republics of the CIS. They see the West—particularly the US—as a potential threat and should therefore not lower their nuclear guard.

In general, Russian officers fall into two categories: on the one hand, moderate reformists and, on the other, radical conservatives, many with extreme nationalist leanings, who believe that Russian foreign policy should be aimed at winning back the status of superpower enjoyed by the USSR.

Though none of the general staff commanding officers seems to harbour Bonapartist ambitions, they could intervene with the forces obeying their orders in favour of a prestigious politician with an appealing pro-

gramme.

Former General Lebed, owing to his past, ideology and political ambition, could, ultimately muster the support of the armed forces and a multitude of desperate civilians willing to cling on to a new saviour.

Mr Lebed has stated that he would oppose NATO enlargement and would restore Russia's pride and power—clearly a utopian promise in the medium term.

Mr Lebed could come to power through legal means were he to have the backing of the new oligarchy headed by Boris Berezonsky. In this connection, the ORT television channel controlled by the Russian magnate and his partners tends to present Mr Lebed in a very favourable light.

NATO ENLARGEMENT TOWARDS EASTERN EUROPE

The NATO summit held in Paris in May 1997 paved the way for eastward enlargement, when applications were invited from all the Central and Eastern European countries willing to adhere to the North Atlantic Treaty and able to meet the entry requirements.

This policy line is in keeping with NATO's aim to be the greatest guarantor of security and stability in Europe. Now that the Warsaw Pact has ceased to exist and the Soviet Union has broken up, NATO needed to define a new objective to justify its survival, since military treaties tend to last only as long as the threat that gives rise to them.

Taking part in «out-of-area» peacekeeping and mediation operations did not seem to be acceptable as the alliance's chief *raison d'être*: it needed to identify a goal with greater political implications—to set up an organised institutional framework that would guarantee European security with the participation of the US. Its sound and experienced political and military structure could serve the purpose.

The eastward expansion of the alliance to take in states seeking security and stability is consistent with this new goal.

Nonetheless, the foregoing is only part of the European security picture. Russia, the other part, needs a special co-operation link so that it feels less left out and threatened. Hence the signing of the «Founding Act» establishing relations between NATO and Russia.

Some, mainly in Russia, think that the role NATO has assumed could

be played by the OSCE which has, undoubtedly, a history of important achievements. However, despite its new name, the OSCE is not an organisation but a conference and its organic structure consists merely of a secretariat. Furthermore, the OSCE is made up of fifty four sovereign states of Europe, Central Asia and North America, all of which have right of veto. It is not easy for countries of such different regions and with such distinct interests to reach a consensus on conflictive security issues. Therefore, contrary to what Russia maintains, it cannot serve as Europe's chief security institution.

The United States managed to impose its view that NATO's enlargement should initially be limited to three states—the Czech Republic, Poland and Hungary. Since these are relatively far from Russia's western border, this first eastward step could be less provocative to the Russians. The United States is fully aware that Russia, which does not share the theory that European stability should be guaranteed by NATO, is wary of enlargement and regards eastward expansion as no more than a policy hatched by America to spread its influence in Central and Eastern Europe and secure itself a more advantageous geostrategic position, taking advantage of Russia's current weakness.

NATO's negotiations with the three applicants are under way, as are the processes whereby the respective national parliaments must ratify what has been agreed on. The three may well become members in 1999, which is the 50th anniversary of the signing of the North Atlantic Treaty. That year a new group of candidates will be designated, with Slovakia and Romania topping the list.

The enlargement of NATO is less difficult than that of the EU since the cost is much lower and because it does not require NATO to make any institutional changes, though the alliance is currently reorganising its integrated command structure to which the new members will belong.

The United States has proposed that the enlargement costs be divided among the new partners, itself and the European allies, though the latter have not yet agreed to accept the proposed distribution. Since the amount is not large and would be paid over a period of ten years, the basic problem is not finding an acceptable solution but rather the United States' insistence on more equitable burden-sharing between allies.

The issue of funding enlargement has been debated at length in the US Senate with a view to approving the proposal. The United States has al-

lowed for defence expenditure to increase only by the amount needed to offset inflation over the next five years. This means it cannot finance all the investment programmes submitted and the additional cost of expanding the Atlantic alliance eastwards could lead to the delay or cancellation of a number of approved programmes regarded as higher priority.

Therefore, in the opinion of the American senators, the NATO allies should bear a higher proportion of enlargement costs. They contend that investing US resources in Europe to make up for what the allies fail to contribute could jeopardise the United States' security interests.

It is obvious that the gap between the United States' military capacity and that of all the other NATO allies is widening and that the United States is increasingly dependent on its allies' capacity.

Although the US Senate approved enlargement by a majority, some senators were against it, not only because of the cost—the required investments are put at between \$40 and 60 billion in aerial defence and communications systems and in making armaments interoperational—but also because it is pointless to invest in the new partners' armed forces now that the Soviet threat has ceased to exist and Russia is a friendly country. Others reckoned that expansion would spark off unnecessary tension with Russia and within Russia. However, the reasons that carried the day were that enlargement had been an American initiative, the vote of the Slavic population would be very important in the legislative elections of November 1998, and the country's armaments industry would obtain considerable benefits.

For reasons mentioned earlier, Russia has signed with NATO the so-called «Founding Act» governing relations between the two sides. Despite the supposedly far-reaching implications of this document, its real content is in fact rather scant. It is not a «treaty» that is legally binding according to international law, as Russia intended, but merely an «agreement» at government level. Russia's representative sits on a permanent joint council together with those of the NATO countries, but the alliance may make decisions without Russia's assent, since Russia was not granted right of veto as it wished. It is no secret that Mr Yeltsin's government signed the Founding Act with misgivings, pressured by influential financial and industrial circles interested in strengthening Russia's links with the West.

The Founding Act establishes that NATO shall not deploy nuclear wea-

pons in the territories of the new members or station «substantial (foreign) combat forces» in them. What is meant by «substantial» and other ambiguous wording could give rise to future controversy. Russia has already complained that NATO has made important decisions without informing it.

In this connection, it is worth mentioning that Russia's NATO representative left Brussels on 16 June 1998 in protest against the airpower demonstration carried out by the alliance over Albania and Macedonia as a warning to the Serbs. According to the Russian Federation's defence minister, General Igor Sergueyev, the Atlantic alliance did not inform Russia duly in advance of these flights and had therefore defied the spirit of the Founding Act.

Other concessions made to Russia are the revision of the CFE treaty in accordance with its wishes and the proposal for a new START II treaty which would not only curtail nuclear arsenals even further but would also eliminate the disadvantages perceived by Russians in the existing treaty, which are preventing it being approved by the Duma.

Although Russia has been forced to accept the fait accompli of NATO enlargement to take in the first round of applicants from Central Europe, it has made clear its position regarding future admissions. In this connection, the Russian foreign minister warned at the Madrid summit that his country would cease to co-operate with NATO if the latter began entry negotiations with any of the former Soviet republics. Russia has thus clearly defined what it intends its sphere of influence in Europe to be—in addition to the European CIS countries, the three Baltic states which aim to free themselves completely from Russian protection by joining both the EU and NATO.

Ukraine has also signed a preferential agreement with NATO granting it bilateral status similar to that of Russia and distinct from that of the other states that belong to the «Euro-Atlantic Partnership Council» or are «Partners for Peace». The co-operation charter envisages the setting up of a permanent consultative body, the establishment of a permanent Ukrainian representation in Brussels and the holding of regular high-level meetings. Ukraine has allowed combined manoeuvres by the Partners for Peace to be carried out on its soil and on its waters.

This policy of co-operation with NATO has not prevented Ukraine from signing important—and, as mentioned previously, favourable—agree-

ments with Russia.

During the state visit by the Ukrainian president to Russia in February 1998, the purpose of which was largely economic, Moscow saw to it that the major trade agreements between the two countries were pushed into the background, raising instead the issue of NATO enlargement.

According to the Kremlin, Ukraine's President Kutchma had promised Mr Yeltsin that Ukraine would not apply for membership of the Atlantic alliance. Kiev has neither confirmed nor denied this statement.

In the West, NATO enlargement has its supporters and opponents. The former argue that it will generate stability in a historically unstable geopolitical area, while the latter fear the impact on Russia's internal situation of the powerlessness and humiliation it could feel on seeing countries of the former Soviet Union—whose dissolution many Russians still regret—join NATO, and the internal insecurity it would trigger as to the future integrity of the Russian Federation.

Russia advocates the establishment of an area of neutral states between NATO and the European CIS countries, whose neutrality would be guaranteed by both NATO and Russia, as proposed by Mr Yeltsin in 1993.

The attitude of the Central European and Baltic states which have applied for NATO membership as the only means to remedy their security and stability contrasts with other traditionally neutral EU states. For example, the white paper on defence submitted to the Finnish parliament on 17 March 1997 states that «Finland does not constitute the target of any military threat, the prevention or rejection of which obliges us to possess the guarantees of security provided by military alliances». Similar statements have been made by Austria which, for the time being, despite being surrounded by NATO countries, is continuing with its traditional neutrality. The Austrian Chancellor Kilma declared on 7 April 1998 that «it would not be appropriate, in terms of security policy, to establish as of today the objective of our membership of NATO».

With new admissions restricted and drawn out over time, everything would seem to indicate that the problem lies in determining the options left to the countries that do not become NATO members. Belonging to the Euro-Atlantic Partnership Council and the Partnership for Peace programme, which many regard as a way of getting in the alliance's good books for future membership, is clearly unsatisfactory, since it does not afford them the security guarantees they believe NATO provides. Neither

are they completely satisfied at the prospect of joining only the EU, whose CFSP has yet to be fully developed and whose military arm, the WEU, lacks the muscle NATO has.

Of the former republics of the extinct Soviet Union, the Baltic states, as mentioned previously, could feel particularly disappointed if their ardent desires are not satisfied. This perhaps explains why the United States was quick to sign a «Partnership Charter» with these three states in January 1998.

There is no doubt that Belarus is inclined towards Russia, at least while its current political leaders remain in power. Ukraine's loyalty to Russia is harder to predict. It has promised not to apply for membership of NATO, though it should be considered that a strongly pro-NATO policy could endanger Ukraine's territorial integrity, given the existing differences in this new independent state.

The enigmatic words uttered by President Clinton in Berlin in May 1998 are significant. When referring to NATO enlargement, he asked that the interests of neither Russia nor Ukraine be forgotten, stating that the current collaboration with both should be maintained and strengthened.

In this connection, in October 1998 the Russian defence minister, Igor Sergueyev, reiterated Russia's opposition to NATO enlargement and warned that if it crossed the «red line» separating the former Soviet republics (the Baltic states, to be precise), Moscow would reconsider the whole framework of its relations with NATO.

Weighing up the advantages and disadvantages, it seems advisable to proceed with caution when considering further enlargement, at least until Russia's grim and difficult political, social and economic situation becomes clearer.

ENLARGEMENT OF THE EUROPEAN UNION

Accession to the EU is provided for in the articles of the Treaty on European Union, which establishes that any European country can apply for membership and that the conditions for admission shall be agreed on by the EU and the applicant state.

In June 1993, the European Council of Copenhagen agreed on the admission criteria which were thenceforth known as the «Copenhagen criteria». These are European identity, a democratic government system and respect for human rights.

Over time, the legal, economic and political framework of the EU has been broadened, leading to reconsideration of candidates' capacity to apply the criteria. Therefore, now that the EU is going to begin its eastward enlargement, the conditions for admission can be summed up as follows: stable institutions that guarantee democracy, the rule of law, human rights and the protection of minorities; an established market economy able to cope with competition and the commercial pressure exerted by the EU;

and ability to assume the obligations of all the members, including economic and monetary union.

The golden rule of any membership negotiations is that the candidate must accept the entire *acquis communautaire*—the treaties signed, legislation enacted, jurisprudence established by the Court of Justice, resolutions approved and international agreements to which the Union is party.

Candidates must accept all of this. *A la carte* integration is not possible. However, temporary exemptions and transitory agreements may be established, but never permanent ones.

At the Luxembourg summit in December 1997 it was decided to begin negotiations with Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. These are currently under way after the degree of preparedness of these nations was assessed, and the first round of accessions is likely to take place in 2003.

While the doors are open to a second group of applicants, formed by Romania, Slovakia, Bulgaria, Latvia and Lithuania, negotiations with the EU will be begun at a later stage. Meanwhile, they have signed association agreements.

If the EU were to expand by taking in all these countries, its area would increase by 34% and its population by one third, though the Community GDP would grow by a mere 8%.

Russia has also sought to join the EU but, although its sights are set on Europe, three quarters of its territory belong to Asia. Its demography, vast size and, particularly, its political instability and current economic crisis do not favour the EU membership that Mr Yeltsin has insistently proposed. Even when Russia is over the crisis, the membership of a country of its geopolitical characteristics and particular mentality that is so different from that of western Europe would upset the balance of the EU and would endanger its very existence.

The advantages of extending the EU as far as the borders of the CIS are obvious: this would be a major step on the geopolitical road to a united Europe with a more prominent role in international relations, greater security and stability across the continent and a bigger market.

The disadvantages are cost and the need for the EU to undergo substantial institutional reforms, which are a controversial issue.

The European Council commission which has studied the cost of enlargement reckons it could amount to 75 billion ECUs. Indeed, it is a sort of «Marshall Plan» for new members.

The European conference held in London in March 1998 brought together twenty two states—the fifteen members and eleven candidates. Turkey was a notable absentee. Some of the reasons for its self-exclusion were the problem of Cyprus, where the process has begun to integrate the northern part, inhabited by Turks, into Turkey. Cyprus, which is in the lead group of applicants, could complicate enlargement, since the Turkish Cypriots refuse to take part in negotiations. They are only willing to represent their area as an independent state.

So far, the national interests of both poor and wealthy countries have prevailed over the primary geopolitical goal in the battle between the EU members over the future funding of enlargement.

If the ceiling for members' contribution to the EU coffers is kept at 1.27% of GDP, the EU has two options—to enlarge on the cheap, sharing the scanty resources among a larger number of countries, to the detriment of the structural and cohesion funds, or to reach a compromise solution between rich and poor partners, delaying the accession of new members.

Institutional reform poses just as many, if not more, difficulties: the weighting of votes in keeping with the population of the states, number of commissioners, and defining decision criteria for issues that require unanimous agreement (it is not the same to get fifteen to agree as it is twenty six) and for those where a simple or qualified majority is sufficient.

Four countries currently contribute 71.8% of the EU's expenditure: Germany 30%, France 18%, Italy 12.4% and the United Kingdom 11.4%. Therefore, if it were established that expenditure should be decided according to relative-majority criteria, this could give rise to situations where those who contribute the least and, in addition, are entitled to the cohesion fund, could impose decisions on those who contribute the most to the budget.

To all these obstacles to new admissions should be added certain member states' views on enlargement. Greece, for example, is threatening to veto applications from any Central or Eastern European country if that of Cyprus is held up. President Chirac of France, for his part, has stated his opposition to enlargement without prior institutional reform and does not agree with the common agricultural policy. Regarding CAP, in October

1998 the European Commission rejected German's proposal, backed by the Netherlands and Sweden, that each country finance jointly from its own budgets a quarter of the direct farming subsidies.

Germany, which considers that its own contributions are too high, contends that the countries which have met the convergence criteria have got their economies sufficiently into shape and no longer need any help. However, it fails to take into account the differences in income of countries such as Spain, which is 25% below the European average.

Everything seems to indicate that certain countries want enlargement to be funded largely at the expense of the poorer countries that receive the structural and cohesion funds.

Enlargement also arouses fears of a possible unstoppable influx of easterners seeking jobs in more prosperous EU countries, and the consequent unemployment problems. The argument generally used to allay such fears is that the improvement in the standard of living in Spain and Portugal after they joined the Community led to a decrease in the amount of cheap labour from these countries in their richer EU neighbours.

Since the current ceiling of 1.27% of GDP will be insufficient to keep up the current solidarity programmes in a bigger EU, Spain finds itself in a tricky position: while it firmly supports the consolidation of the EU and its enlargement to take in countries that identify with the idea of a united Europe capable of closing the gap between this continent and the United States in all respects, it cannot make concessions that depart from what could be an equitable funding of enlargement.

Paradoxically, the countries which stand to gain the most economic benefits from an enlarged EU are those set on not footing the cost or even saving money.

In general, the obstacles which are hindering the achievement of this attractive geopolitical goal or, at least, are setting it back, are mainly the self-seeking attitude of the rich countries, the nationalism of members who are not prepared to yield further areas of sovereignty and the resistance of the out-and-out NATO supporters to strengthen the European CFSP.

The British presidency of the EU in the first half of 1998 was followed by that of Austria, which is preparing the so-called «Agenda 2000» that addresses sensitive issues such as institutional reform, the composition of the European Commission, the votes to which each country is entitled on

the Council and financial contributions.

In November 1998, the European Commission submitted a proposal which would require the structural and cohesion funds to be trimmed by 18%. It reflected the aims of several of the richer EU countries keen to reduce their contributions, going against the solidarity policy they had hitherto pursued, and appeared to be designed to induce Spain to accept the ceiling of 1.27% of GDP. Spain will not agree to this until it is assured that such an amount will be enough to pay for all the current community policies and, in addition, meet all the costs of enlargement.

There is every sign that the accession of the first-wave candidates will be delayed owing both to the pace of progress of the aspirants and to internal problems of the EU.

FINAL CONSIDERATIONS

Not all experts agree on the causes of the economic collapse of Russia, whose GDP has been sliding year after year since the Soviet Union broke up.

Russia's macroeconomic indicators show that the reforms undertaken have not achieved the hoped-for results, despite the substantial foreign aid received mainly from the IMF and the World Bank to help the transition from a state-controlled economy to a free-market system. Russia has proved to be a bottomless pit.

This failure tends to be attributed to the erroneousness of the gradual approach, of a progressive shift to a market economy. It is argued that in cases like Russia, reforms need to be radical. Thus, countries where shock therapy was applied, such as Hungary and Poland, have come through their transitions with flying colours, whereas those that opted for a gradual approach—Russia, Ukraine, Romania and Bulgaria—have not improved their economic situation.

Mr Chernomyrdin pursued a policy of gradual transition during his five-year stint as prime minister and Mr Primakov seems to be following suit. A radical approach was taken by the ousted Mr Kiriyenko, a champion of far-reaching reforms in Russia's economy. But the application of free-market rules entails a social welfare cost that the government cannot always meet.

As a result, the Russian people now blame their plight on the reforms and not on governments' hesitance to go about them in a determined way.

Moreover, not all Russia's problems are due to its ailing economy. Indeed, they stem basically from the shortcomings of a highly imperfect rule of law. A state that lacks due respect for current laws, whose contractual legislation is woolly and has no effective tax system is putting its very subsistence at risk.

State, regional and local bureaucracy in Russia have not yet succeeded in unravelling the web woven in Soviet times. Corruption is rife across the administration and in all power spheres, and organised crime activities are omnipresent. But the most serious problem is not the existence of corruption, but rather that the politicians are corrupt and are in contact with the new oligarchy.

The West believed it could export its democratic system to Russia, but Russia is not the West and only an erudite minority seem to want Russia westernised. Many citizens even regard the West as the source of many of their ills.

The creation of political parties and the holding of free elections have not been sufficient to establish a true democracy, since there is no awareness of its values or a sense of responsibility among the people. Indeed, these qualities of citizens cannot be conjured up overnight and for the first time in the history of Russia. Furthermore, the ruling class lacked experience of democracy and, indeed, those who took it upon themselves to build the new order were not opponents of the old system but rather part of it, such as Mr Yeltsin and current Prime Minister Primakov in Russia, Ukrainian President Kutchman and Mr Lukashenka of Belarus.

Thus, the elections saw the rise of candidates who display autocratic behaviour once they have assumed power, while most voters look on passively and indifferently.

Insufficient control over the privatisation of state companies in Russia has led to the emergence of an oligarchy that is not however a new business elite but rather the old system converted to capitalism—a capitalism based on cronyism, shared interests and political influence. Rather than a market economy strictly speaking, what Russia has is a market controlled by speculators linked to the oligarchs. The result is a slim minority who are becoming richer and richer and an increasingly poverty-stricken majority

who yearn for the communist system.

The western countries in general, and America in particular, made the mistake of erecting Boris Yeltsin as a retaining wall to fend off a regression to communism. To his credit, Mr Yeltsin had dismantled the Soviet Union, was a rival of Mr Gorbachev and had blasted the Soviet Supreme to smithereens. Impulsive, bold, ill-humoured, not very educated, a drinker and, for some time, seriously ill, he has not succeeded in bringing political and economic transition to fruition, despite having all the powers required for such a momentous task. As democratic president of the Russian Federation elected through a referendum, he again won the fiercely-disputed and rigged presidential elections in 1996. Earlier, in 1993, he managed to get a tailor-made presidentialist constitution approved—the one currently in force. After imposing his will time after time on a Duma dominated by communists and extreme nationalists, he was finally defeated and humiliated when, in September 1998, he did not dare dissolve it fearing an extreme situation as in 1993. Today, his loss of power and prestige is patently clear, as is his physical incapacity.

The present Constitution—though attempts will be made to amend it—vested the executive with powers as opposed to the legislature, which has been responsible for paralysing the reforms over the years.

In addition to the foregoing, winds of disintegration are battering the Russian Federation. The autonomous bodies oppose any measure from Moscow that they regard as centralising. Many refuse to pay the collected taxes owed to the Federation and some, in view of the food shortage, have even banned foodstuffs from being sent outside their regional boundaries. The regional politicians display greater cohesion than their federal counterparts and are more aware of collective interests.

Russia's situation at the beginning of 1999 could be summed up as follows:

- Economic crisis that is difficult to contain, with high inflation and lack of foreign private investments for a long time following the recent flight of capital.
- Danger of the Russian Federation breaking up and ultimate intervention of the army to crush any serious secessionist outbreaks.
- State and administrative structures in need of thorough reform.
- Large, aggressive Communist party which wants to return to the old ways and currently has more representatives in Mr Primakov's government than the reformist and liberal parties.

- Most underprivileged sectors of society yearn for «Soviet welfare».
- An extreme nationalist movement that is trying to gain ground, taking advantage of the malaise caused by the devastating economic crisis, and has the support of some members of the armed forces.
- Growing unpopularity of Boris Yeltsin, who is branded the West's puppet.

With legislative elections slated for 1999 and presidential elections for 2000, it can be said that few countries have put their future at such great risk in such a short space of time.

Mr Primakov's options are very limited. If from now until the election date Russian citizens do not perceive any beneficial effects, the country is likely to begin the new millennium by pointing itself towards the past to a lesser or greater degree. The problem Mr Primakov's government faces is that in order for it to be able to implement the reforms, the situation needs to worsen before it can improve. A significant example is that if the essential tax reform is carried out and the companies with debts pay off their arrears to the state, in order to survive they would have to trim their workforces by making staff redundant.

The question of who will succeed Boris Yeltsin is uncertain and worrying. The candidates for president are, so far: Mr Chernomyrdin, who was rejected by the Duma and halted reform; Mr Zyuganov, a demiurge communist who is capitalising on people's dissatisfaction; Mr Luzhkov, the populist mayor of Moscow, an opportunist who favours a protectionist policy against «western dictates»; and former general Lebed, who aims to restore the nation's order and dignity vis-à-vis the concessions made to the West.

Despite its precarious situation, there is no hint that Russia has given up trying to reclaim the role of super power played by the Soviet Union before its break-up. Hence its disagreeing stance in the Kosovo and Iraqi crises in 1998.

On the international front, Russia has the advantages of being second biggest nuclear power, the right of veto in the United Nations Security Council and the remains of a defence industry capable of producing and exporting sophisticated tactical and long-range weapons systems. Its inexhaustible natural resources (new gas deposits have been discovered in Siberia) have enabled it to attend the G7 meetings as an observer, such

CHAPTER FOUR

STABILITY IN THE MEDITERRANEAN

STABILITY IN THE MEDITERRANEAN

By Pedro López Aguirrebengoa

GENERAL POLITICAL AND STRATEGIC CONSIDERATIONS

The situation in the general area of the Mediterranean did not undergo any substantial changes in 1998, and evolved in a very similar way to that of the previous year. This was analysed in the 1997-98 *Strategic Panorama*.

It is necessary in Mediterranean geopolitics to bear in mind the realities that obtain in this area, which extends to the Black Sea, the Gulf periphery and the rest of the Arab world. The presence of global strategic forces that lie outside the region must also be considered.

On this plane, the United States is the major military power in the area, in which it has interests that it considers vital. Its attitude plays a key role in any negotiations on disarmament and security in the region, as well as in respect of the strategic resources of the Middle East where it has a dominant influence in the Peace Process. It can be said that this is also the case with Russia, whose presence and potential, however, have temporarily declined.

The United States has been taking a greater interest in the Euro-Mediterranean process. In this connection it is worth recalling the visit made by the Assistant Secretary of State for Economic Affairs, Mr Eizenstat to Tunisia and Morocco. He made a proposal on this occasion for an economic and trade partnership with the countries of the area. However, his scheme appears to be limited for the time being, and in Washington's basically

bilateral approach to its relations with the region (the strong points of which are Israel and Egypt), the horizontal viewpoint bears more weight than the vertical and multilateral dimension characterising the European perception. The United States' physical remoteness means that its problems are different from those of Europe (that are intrinsic to its proximity) although both coincide in the general lines of Western thinking.

For its part, the Russian Federation is following this process with attention, and has expressed the wish to see its role as a guest at the Euro-Med Ministerial Conferences enhanced.

In global terms, the conflicts and tensions that still persist in the area remain either active or dormant, and the processes for solving them have still not been channelled towards a definitive solution.

The Middle-East Peace Process (MEPP) has been at a standstill for the past 18 months, notwithstanding the efforts by the United States, seconded by the European Union and backed by Egypt and other countries of the area. Only in the Israeli-Palestinian track, with the Wye Plantation talks (15-23 October) and the signing of the Memorandum of Understanding and other associated documents, was it possible to achieve a significant relaunching, although it was differently assessed in Israeli, Palestinian and Arab circles. Its true importance will depend on the ability of the parties to implement and fulfil it.

Something similar is occurring over the Cyprus issue, while the volatility in the Balkans persists. The latter was demonstrated by the Kosovo crisis—which at last is fortunately being contained by NATO action—as well as tensions in Albania, which appear to have found a means to solution in the international conference held there on 30 October.

In the Maghreb, the development of the Arab Maghreb Union (AMU) has stopped short in its tracks. The Algerian situation and the underlying tensions with Morocco, together with the isolation of Libya, are not hopeful signs that it will soon start up again, although Tunisia and Mauritania are showing themselves particularly intent that it should. The process of the Western Sahara, as we shall see, continues its unsteady course in the implementation of the United Nations Settlement Plan, which was revitalised by the mediation of American ex-Secretary of State James Baker. Progress has been made in identifying voters with a view to holding the planned referendum, but the whole process is subject to worrying delays and is still beset by many unknown factors.

At the political and economic level, something to be borne in mind is that a drop in oil prices creates budgetary problems for the oil-producing countries of the area.

In the surrounding areas of the Mediterranean, the Iraqi question continues to generate tension and conflicting positions, although the Arab world is showing itself increasingly inclined to sever the links between the invasion of Kuwait and the subsequent conflict—i.e., compliance by Iraq with the resolutions adopted by the United Nations, on which the basic consensus is maintained and the policy of containment applied by the United States to Iraq, Libya and Iran.

The absence of decisive progress in the MEPP has rekindled Arab and Islamic mistrust of the United States and the feeling that it is carrying out a two-sided policy, being concerned first and foremost with upholding the interests of Israel. Although this was to a certain extent modified by the achievements of Wye Plantation, it continues to be perceived particularly in respect of the attitudes of the American Congress and Senate. In any event, the conviction persists that the role of the United States is still vital, both because it is currently the only superpower, and also because it is presumed to be the only one capable of persuading Israel.

The climate of Arab impatience in view of this state of affairs has added weight to the request for greater and more resolute political involvement by the European Union in the MEPP, since it is already the largest contributor to economic assistance for the Palestinians. But—and in this there is an element of realism on the part of the Arabs, as well as of paradox—the dominant feeling is that it should do so while collaborating with the American initiatives and its leading role in the process. The European Union, linked to the United States by the strong ties of the Trans-Atlantic relationship, backs this scheme, although it hankers after a political role more in consonance with its interests and efforts in the Peace Process. Washington and Israel, each for its own reasons, would like to see the European contribution enhanced in respect of the economic aspects and the process's multilateral tracks, but their reticence regarding a more active political role persists.

Another latent focus of attention, which has heated up, is that of the relations between Syria and Turkey. Together with historic factors and Syrian feeling about the amputation of the province of Iskenderut in favour of Turkey, conducted in 1939 under the French mandate following a controversial referendum, elements of the recent political past in the time of

bipolarity still weigh heavily (i.e., Turkey as a NATO outpost versus the Eastern bloc from which Syria drew support in its struggle against Israel), as well as basic strategic interests, such as water supply from the Euphrates. More recently, Turkey's rapprochement to Israel, which took the form of a military agreement in 1996, has intensified Syria's suspicions, and—to a large extent—those of the Arab and Islamic world. Jordan, which has been striving to maintain satisfactory relations with Israel after the signing of the peace agreement, has had, however, to keep its distance, following an initial apparent movement towards participating in designing this new regional axis, which, it is assumed, was inspired by the US. It is a reminder of the CENTO, although the objective this time is not to hem in the ex-USSR; rather, it is concerned with the Islamic East and the Arab South, and also—probably—the energy interests connected with the crude oil from the Caspian.

Against this background, Turkey is accusing Syria of providing shelter and material support to the Kurdish rebels of the Kurdistan Workers' Party (PKK). A similar imputation has in the past been levelled by Turkey against Greece, whose PASOK socialist government always maintained a relationship of affinity with Syria, ever since the beginning of the deceased Papandreu's time. It is believed that in both cases the Kurdish issue is exploited as a means of putting pressure on Ankara.

On 2 October last, President Demirel delivered a serious warning to Damascus, in which he accused Syria of inciting the Arab countries against Turkey and actively supporting the PKK. He did not exclude the «right to reprisals». This tension came to the surface at a time when the Kurdish question had once more become a burning issue after the agreement signed by the leaders of the Iraqi opposition, Barzani and Talibani, in Washington where, moreover, a bill was being tabled and passed in Congress (the Iraq Liberation Act) clearly aimed at bringing about the overthrow of Saddam Hussein. The Syrian reaction to Turkey has been one of temporising moderation, with a call for dialogue to resolve the pending bilateral issues and reiteration of its wish to maintain good relations with Ankara. Nevertheless it continues to ask it to reconsider its strategic ties with Israel. The signing of the Syrio-Turkish Adanha Agreement (20 October), supported by Egypt and Iran and in which Damascus met the demands of Ankara, especially with regard to the PKK, finally put an end—at least for the time being—to dangerous tensions which, if they had flared up, would have resulted in serious consequences for the whole region.

In Iran, on the other hand, the new leadership appears to confirm greater moderation and a more positive attitude in the country's relations with the Western world. However, the strained relationship with the Afghan Taliban could open up a new and dangerous breach in the stability of the area.

Nor must the factor introduced by India's and Pakistan's nuclear initiatives be ignored. If they are seeking parity between themselves, as well as India's strategic equilibrium in respect of China, they must also be viewed through the prism of the Middle East scenario, where the need to conclude effective agreements aimed at setting up an area free of nuclear weapons and weapons of mass destruction is becoming increasingly urgent. The Israeli attitude is determinant in this connection, given that its alleged potential—whether real or a ploy to be used as an instrument of dissuasion—together with its defensive doctrine (backed by the US) of maintaining strategic military superiority over its neighbours, constitutes an element conducive to the proliferation of conventional and non-conventional weapons in the region. Thus Syria's policy of pursuing parity by means of an arms build-up, which it has now had to renounce because the material support afforded it by the ex-USSR has come to an end, was prompted by the probably justified belief that any negotiation with Israel without this backing would be unbalanced. The danger of non-conventional weapons falling into the hands of radical groups exacerbates the terrorist threat and the concern about the future.

Nevertheless, it can be said that although not much progress has been made in stabilising the Mediterranean, the situation has not deteriorated significantly and, for the time being, there are no signs of new armed conflicts between states. The security risks are mainly centred on the subsisting focal points of tension and on South-South relations, as well as on the domestic situation of some countries of the area, while there is no perception of serious and direct military threats to Europe.

It can be concluded that the Mediterranean, as a unitary space that encompasses the two shores, continues to require a framework for stabilisation that provides security in a comprehensive form, bearing in mind the political, economic and social factors necessary to address the dangers stemming from the interactive nature of all of them, and allowing for in-depth progress to be made in confidence-building and the gradual construction of co-operative security and joint development.

The Barcelona Process and the principles incorporated into its Declaration constitute an innovative framework whose revitalisation, as we

shall see, offers renewed hope in the long term. At the same time, the different Mediterranean dialogues opened by NATO, the OSCE, the WEU and other institutions such as the Council of Europe itself, offer parallel and supporting courses, each one consonant with its own identity and specific perspective, capable of complementing the others and of contributing its own experience. The Mediterranean is, moreover, in our immediate vicinity and constitutes one of the priorities for the construction of the Common Foreign and Security Policy (CFSP) of the European Union, although until now this policy has not achieved the necessary consistency and determination. The Union's coastal countries, including Spain, have as a result of their historic vocation, their proximity to each other and their shared interests, an important promotional role to play, as occurred with the inception of the Barcelona Process.

The OSCE, for its part, in its operations in Bosnia-Herzegovina and Albania, and its work in Croatia, has demonstrated its ability to respond effectively to large-scale political challenges, while NATO has taken on an important role that has been instrumental in organising the operations aimed at containing the Balkan conflict and restoring peace.

The Luxembourg European Council (12-13 December, 1997) took decisions of unprecedented magnitude for the future of the European continent, launching the accession process of 11 candidates, among which were the Mediterranean countries of Bulgaria and Slovenia. This will foreseeably enlarge the scope of the Barcelona Process.

THE WESTERN MEDITERRANEAN AND THE MAGHREB

As this area forms part of Spain's immediate surroundings, interest in its stability has been a constant of our policy there, as is the case with France and Italy. This has led to growing dialogue and collaboration with our North African neighbours, thereby originating the process that finally brought about the broader framework of the Barcelona Declaration.

Our historic polarisation in the Maghreb has lost its exclusiveness, although its importance has greatly increased; our global co-operation has also expanded to the eastern Mediterranean and the Balkans; likewise our political potential in the entire Mediterranean basin was undoubtedly heightened and its future prospects confirmed at the 1991 Madrid Conference.

Today, the Maghreb is collectively immersed in a process of rapid change that requires urgent political, economic and social adaptation. Thus a period has opened up in which hope goes hand in hand with the uncertainty attendant upon any transition. We are confident that the former will prevail and that the latter will eventually disappear, as long as both shores show themselves to be equal to the challenge.

THE ARAB MAGHREB UNION (AMU)

The AMU has been called upon to address the aspirations of all the Maghreb peoples and translate their aspirations into reality. It has the necessary potential to make a very valuable contribution to the Euro-Mediterranean Association if, with the backing of its members, it is able to complete the integration of its southern dimension.

This scheme of regional integration that includes Morocco, Algeria, Tunisia, Libya and Mauritania has been paralysed for the time being, for the reasons indicated. Such paralysis is good neither for the Maghreb countries, nor for the European members, given the integrating potential that the organisation could bring to the Euro-Mediterranean Association, in which the South-South facet is essential. The integration of the southern economies is an inescapable imperative, wherefore it would appear desirable that it be carried out by the signatories of the Treaty of Marrakech, completed by the dynamics of the Association in which each one is individually connected to the EU.

The relations between Morocco and Algeria have been at a low point ever since 1994, following the terrorist attack in Marrakech and the suspicions of Algerian implication. Rabat imposed visa requirements for Algerian nationals, and Algiers immediately responded by closing the land frontiers with Morocco—a situation that remains unchanged today.

MOROCCO

In the nineties Morocco embarked decisively on a new and promising phase in its history: it widened the scope of its institutions to enable an increasingly plural society to make its aspirations known, and to consolidate the political regime on broader and institutionalised foundations. A basic element of this process was the constitutional reform—passed in a referendum on 13 September 1996—introducing the two-

house system. The reform also established a decentralised state, with the region as the main administrative body. The Regions Act of April 1997 set up regional councils (each a kind of regional parliament with important powers, including financial powers among others) for the sixteen regions into which Morocco was divided; of these, three are located in the Territory of the Western Sahara. Another of the basic goals of the constitutional reform is the incorporation of the opposition into the work of government. The election to the House of Representatives of 14 November 1997 was won by the Socialist Union of People's Parties. By blocs, victory at the polls went to the Kutla, followed by the Wifaq and the Centre, albeit by a narrow margin. In the election for councillors of the upper house, on 5 December, the Centre won. However, the complexity of the electoral process and the lack of adequate political education continue to cause voter dispersion, wherefore the political scenario is significantly fragmented.

The King entrusted the leader of the UFSP, the former opposition leader and political exile, Abderraman Youssoufi, with forming a government. The result was a coalition government basically structured around the Kutla (the UFSP, Istiqlal, PPS and the parties close to this coalition, the FFD and the PSD), reinforced by two centre parties (RNI and MNP). At the first cabinet meeting, on 25 March 1998, the criteria were laid down for priority action by the government: the strengthening of the foundations of the rule of law and democratic practice, with greater attention to be paid to human rights; the taking of action guided by ethical parameters; the pursuit of public administration efficiency; and the adoption of a development policy based on job promotion, an increase in investments and the establishment of true social solidarity. A more nationalistic component was also perceived, mostly in connection with the Saharan issue.

The Budget Act, passed in August 1998, is an interim instrument, inspired by standards of austerity. Its forecasts are that the public deficit ceiling will be 3% of GDP; growth for 1998 is estimated at 6.8%, and 7% for 1999 (as long as there is a good harvest); and the goal for inflation is 2%. Although emphasis is placed in the aforementioned Act on the fact that the fight against unemployment and social inequality will receive privileged treatment, with an increase in allocations to the social ministries of 10 to 50%, the monetary orthodoxy of previous financial years has been maintained.

CEUTA AND MELILLA

The celebration of the quincentenary of Melilla in 1997 saw an increase in the number of Moroccan public claims to the two Spanish self-governing cities. Different demonstrations took place which, however, were not official, and nor did they get much popular support. The moderation of King Hassan II tempered the reactions of the political parties considerably.

The statements made by the new Moroccan Government on Ceuta and Melilla could indicate a reactivation of the issue in the future. At the 53rd United Nations General Assembly, the Moroccan delegation brought up its usual arguments in favour of opening a joint process of reflection with Spain.

The well-known Spanish position of principle goes hand in hand with the idea that, within the framework of fundamental, positive and intense bilateral relations (complemented by the fact that the two Spanish self-governing cities of Ceuta and Melilla are joint parties to the Barcelona Process and other initiatives within the Mediterranean framework), these two cities should not be a reason for conflict between the two countries, but rather a factor for co-operation. There are many contacts between both Spanish cities and the neighbouring Moroccan towns that are conducive to their development.

ALGERIA

The process of institutional building carried out by the country's authorities has been taking place in a climate of intolerable violence that is disturbing to international public opinion. It casts a shadow over the implementation of the political project that Spain and the EU support and that has crystallised, for the first time, in a parliament where Islamists share the space with lay members and representatives of the traditional Algerian political class. At the same time, the government of this country has striven to meet its commitments to the International Monetary Fund, by promoting the opening up of its economy and a liberalisation whose results justify a degree of optimism when it comes to envisaging the medium—and long-term future.

However, Algeria's long-drawn-out internal problem has continued to run its zig-zagging course, with no prospect of a solution achieved through domestic consensus in sight. Its roots are complex, and throughout the past years of crisis have been subject to many different and contradictory

interpretations.

In synthesis, it has a common background with the identity crisis that has affected a large part of the Arab world in the wake of the post-colonial age. Already in 1975 Anwar Abdel-el-Malek pointed out in his work on contemporary Arab thought that all the emancipation rhetoric, laboriously formulated in the wake of national independence, had been discredited. The consequent social breakdown spread to politics and many marginalised segments resorted to Islam as a means of channelling their grievances and restoring their vanished sense of community.

In the case of Algeria, it can be surmised that its scant historic structuring as a state in comparison with that of its two Maghreb neighbours, together with the legacy of the French occupation that concluded with its annexation as a department at the beginning of this century without thereby integrating the Muslim population at an equal level of citizenship, contributed to deepening this identity void. The unity created by the war of independence in support of the FLN (National Liberation Front) and its nationalistic political doctrine, which at the beginning was markedly lay in tone, eventually became diluted by the change in the international environment in which Algeria moved, as well as its inability to provide a structured and effective response to the challenge of development. A return to the religious perspective, in a society in which religion plays a prominent role, gradually came to dominate the political philosophy of large sectors of the population. However, this use of religion by political groups in their struggle for power has undermined its value. Indeed, since the mid-eighties, political power in Algeria has entered a phase of spiralling decomposition.

The Islamic Salvation Front (FIS), which was initially backed by the government as a means of debilitating other political groups, turned against it. The 1991 elections were won by the Islamists, but the military did not accept them and the process of democratic transition was thereby compromised and fundamentalism strengthened. This gave rise to a spiral of violence, in which two forms of authoritarianism confronted each other, incapable of introducing a democratic power-sharing arrangement.

A retrospective view induces us to think that the only real power that has existed in Algeria since its independence has been that of the military establishment, which in the current crisis has shown itself to be opposed to any compromise with the radical groups. The response to its policy of eradicating them has been one of increasingly spectacular actions by the

GIA (Islamic Armed Group). The negotiations between the military power and the FIS (an organisation with prestige in wide-ranging segments of the population) were aimed at doing away with the political justification of the GIA's actions. The GIA itself has become fragmented as a result of the internal dissension that has arisen since 1996. Its powerlessness to attack military installations or lay ambushes for the security forces, as in the past, has led it to focus its action against the civil population, in a campaign of terror.

It may be asked whether the Algerian situation has politically benefited the relative position of other countries in the area, on decreasing the potential for foreign action and leadership formerly held by the Algerian government. But even if this were true, the difficulty of controlling it in the short term is a matter of great concern, as is the danger that it might lead to more widespread destabilisation if an internal negotiated solution is not reached with the sectors that reject violence. At the same time, it prevents the functioning of sub-regional co-operation through the Arab Maghreb Union.

The degree of normality that returned to Algeria this year, after a bloody month of Ramadan, was again disturbed at the beginning of the summer by indiscriminate violence in urban areas. This shows that, despite the effectiveness of police action and offensives by the army in rural areas, the terrorist groups, albeit increasingly isolated and fragmented, still retain sufficient operational capability.

The new Algerian parliamentary institutions must show proof of their democratic disposition in the coming debates on subjects as important as the Family Code and the Information Code, the reform of which is demanded by a society in rapid process of change and which expects answers from institutions that, for the first time, it has had an opportunity to elect.

A new and significant step in the process of political and economic reform carried out by the Algerian government this year has been the decision by President Zeroual to shorten his term of office, call presidential elections for the beginning of 1999, and not present himself as a candidate. The government proposal to provide greater transparency, without excluding the presence of international observers, and to enter into dialogue with representatives of different political parties, is a positive sign, notwithstanding the initial dismay caused by the president's announcement.

The dialogue between Algeria and the EU was practically at a stands-

till until the summer, for several reasons—among them the fact that the Commission for Human Rights in Geneva was addressing the situation in Algeria—an issue that arouses very strong feelings. If, on the one hand, the search for a solution to the violence in Algeria must be based on dialogue with all the political parties that reject violence, on the other, care must be taken to avoid any measures that would discredit the Algerian authorities in their fight against terrorism. Algeria participates actively in the Barcelona Process, and is currently negotiating the Association Agreement with the European Union.

Now added to the effects of the lengthy domestic crisis, are circumstantial or external factors that complicate the economic situation. It appears that the Algerian economy, contrary to all expectations, grew by only 0.5% per cent in 1997 (or showed negative growth of up to—1 percent; the facts vary according to the source), while unemployment, according to official figures, continues at 28-29 percent. Agricultural output dropped by 24 per cent in 1997, which was attributed to the drought that affected the country, while industrial output in 1997 fell by 7.2 per cent, except in the gas and hydrocarbons sector, which recorded growth. Nevertheless, the downward trend in the petroleum prices, as in other producing states, means that the future situation may be affected, ultimately hampering the process of economic transition.

TUNISIA

With the prospect ahead of presidential and legislative elections in 1999, there is nothing to indicate that they will bring about major changes or alarms in Tunisian political life. Formally, there is political pluralism, and the regime has undertaken constitutional reform to increase the number of opposition seats.

Economic and social rights are considered more important than political rights, in respect of which the regime's attitude leans very much towards a strategy of stability aimed at addressing the problem of Islamic fundamentalism. Therefore, the human rights situation in the country continues to be the main cause of friction with the EU. Tunisia's attitude is one of only wanting to touch on the general principles of human rights within the framework of the political dialogue under the Association Agreement with the EU—and not individual cases, which it considers to be internal affairs not subject to outside interference.

With an increasingly diversified economic structure and reasonably satisfactory macro-economic co-ordinates, Tunisia is an important trading partner for the EU in the Maghreb, and the greater part of this North African country's trade flows go to it. Moreover, Tunisia has a large middle class and the highest per capita income in North Africa, except for Libya. All this makes Tunisia a country with good expectations and very valuable political and economic stability within the context of the Maghreb. Tunisia, together with Morocco, is the only Maghreb country that until now has signed an Association Agreement with the EU (1995); this entered into force on 1 March 1998.

The consolidation of political pluralism and democratic values should enable its development to proceed with favourable prospects for the future.

The framework for Hispano-Tunisian relations is the Treaty of Friendship, Good Neighbourliness and Co-operation, signed in 1995 and secured with the strong anchorage forged by history, our current community of interests and a similar outlook towards the future.

The Tunisian Republic has set its course towards Euro-Mediterranean association with commendable determination that leaves no doubt about the position that it wishes to occupy in the international community of the 21st century.

LIBYA

A global scheme for the Mediterranean region must count on the support and collaboration of all the coastal countries. In the long term the deficiencies of any integrating mechanism that does not include the Libyan component will become apparent. Its co-operation with the United Nations in favour of the resolution of the outstanding conflicts and the end of the international sanctions (which prevented Libya from participating in the Barcelona Process) would allow for Libya's rapid return to all the fora in which the fate of our region is decided.

Through Security Council Resolution 1192 of August 27, the United Nations accepted the proposal made at the time by the Arab League and Libya itself that the two suspects who perpetrated the bomb attack on the Pan-Am plane over Lockerbie should be handed over to a third country and judged in it by a Scottish court under Scottish rule of law.

The possibility of reaching an agreement over the holding of a trial of the Lockerbie bombing suspects in a third country amounts to a considerable change of course in the policy relative to this matter upheld until now both by Washington and London in recent years. It means a substantial relaxing of the demands (probably induced by the lack of results from this policy and the growing difficulties of maintaining the UNSC sanctions in the face of ever-growing opposition to them from the Arab and African countries, together with the greater flexibility shown by other Western capitals, within the bounds of full respect for UNSC decisions).

The Council of Ministers of Foreign Affairs of the Arab League (Cairo, 15 and 16 September) endorsed, less vigorously than expected, the Libyan demand for greater pressure to be exerted on the US and the United Kingdom. In any event, the Arab partners of the Barcelona Process have insistently repeated that Libya should be incorporated as soon as the international situation permits.

THE WESTERN SAHARA

According to the United Nations Settlement Plan for the Western Sahara and the Houston Agreements (September 16, 1997), the voter-identification process was completed on 2 September last. 147,350 people were registered in the census, not counting applicants belonging to controversial tribes and several hundred people resident abroad. It is hoped that progress will be made in registering the latter, and that at the same time the applications of those belonging to non-controversial tribes will be processed. A compromise was reached in Houston: individuals belonging to controversial tribal groups (identified under the code numbers H41, H61 and J51/52) may come forward individually for identification even though neither of the two parties (Morocco and the Polisario Front) sponsors them, nor actively prevents them from presenting themselves to the MINURSO (United Nations Mission for the Referendum in the Western Sahara). Also to be borne in mind is the fact that an identified applicant does not automatically acquire voter status, but is interrogated by the competent Identification Commission in order to determine his eligibility to participate in the referendum.

The issue of the members of controversial tribes continues at a standstill. The Moroccan demand that the 65,000 members of these tribal groups be identified is interpreted by the Polisario, which is sceptical

about it, as a means of gaining time and perpetuating the status quo, since it would make it obligatory to conduct an exercise almost impossible to implement: that of splitting up the groups into hundreds of sub-fractions. The UN Secretary-General has expressed his concern about this matter in his latest reports to the Security Council, on account of the risk that it would entail of blocking the whole process if it is not resolved.

The conclusion of the voter-registration process will bring the most difficult moment for the parties nearer—that of undertaking the following stages of preparation of the referendum.

In the event that the difficulties surrounding the registration of controversial voters are overcome, the following stages will not prove simple either. The UNHCR is continuing with the preparatory work of repatriation of refugees in accordance with the Settlement Plan, although not without difficulties. The operation of repatriation, the duration of which was initially estimated as 15 months, could be prolonged for several additional months. Nor has the matter of settling the refugees once they have been repatriated been resolved. All this makes it probable that there will be subsequent delays in the deadlines planned for carrying out the referendum.

Insofar as the conflict in the Western Sahara is concerned, Spain has always maintained that it is a problem arising from decolonisation, which can only be solved definitively when the Saharan people are allowed to decide their destiny in a referendum on self-determination that is free, fair and subject to all due international guarantees. Spain upholds its position of total neutrality and unreserved backing for the work of the UN. This neutrality does not imply indifference, and therefore Spain remains willing to collaborate with the UN whenever requested to do so, as long as it has the agreement of both parties.

Different acts of collaboration have already been implemented (the sending of experts on an exclusively technical voter-identification mission last May, and the making of Las Palmas Military Hospital available to MINURSO members). Moreover, Spain has given \$4 million to the UNHCR as a contribution to repatriation work within the framework of the UN Settlement Plan.

In any case, the important thing is the complete implementation of the Settlement Plan, so that the referendum may finally be held under conditions of freedom, transparency and justice. The mediation of the UN secretary-general's personal envoy, James Baker, can only be meaningful if he is able to persuade the parties, with the support of the international com-

munity, to proceed with the application of the Settlement Plan and the Houston Agreements.

GIBRALTAR

Notwithstanding Spain's reasonable proposals, the status of this conflict is one of virtual stagnation. The Spanish position is well known. Gibraltar's situation constitutes a colonial anachronism stemming from the dynastic wars at the beginning of the 18th century, to which we should put an end. Decolonisation can only be carried out, according to the Treaty of Utrecht and United Nations doctrine, by returning the territory to Spain. This is particularly relevant in view of the recent unilateral attempts to alter the current status of Gibraltar by amending its constitution, granted in 1969. Therefore Gibraltar is a destabilising element, not only for bilateral relations between the United Kingdom and Spain, but also within the EU itself. This is because of the continuous efforts by the Colony's local authorities to assume powers to which they are not entitled, under article 227,40 of the European Communities Treaty, thus attempting to become a quasi Member State. They also refuse to implement agreements concluded between the United Kingdom and Spain—for instance, concerning joint use of the airport.

In December 1997, Spain made a political proposal, within the Brussels Process, aimed at solving the dispute. The Gibraltarian local authorities rejected it outright. For London, however, it continues to be under review and a valid negotiating factor.

In his speech to the 53rd United Nations General Assembly, the Spanish Minister of Foreign Affairs recalled that the Organization's historic work of decolonisation cannot be considered complete while situations like that of Gibraltar still persist. Every year the General Assembly renews its ap-peals to Spain and the United Kingdom to continue their negotiations with a view to putting an end to Gibraltar's colonial status. The current negotiating process began with the 1984 so-called Brussels Joint Communiqué, in which the governments of Spain and the United Kingdom undertook to establish a negotiating process. During the 1997 Round of Negotiations, the Spanish side made a proposal that would enable Spain to recover sovereignty over Gibraltar, while maintaining the present advantages for its inhabitants, granting them a degree of political autonomy within the framework of the Spanish autonomous state, greater than that which they currently enjoy, and accepting—as an additional guarantee of

Spanish good faith—the maintaining of shared sovereignty by the United

Kingdom and Spain for a long interim period. This proposal should be able

to form the basis for an agreement that, once and for all, would settle this

painful dispute for Spain.

THE MIDDLE EAST

The Peace Process

At the 1991 Madrid Peace Conference, the principles which were to provide inspiration for the Peace Process were laid down. Among them were United Nations Security Resolutions 242 and 338, providing for Israeli withdrawal from the territories occupied during the Seven Days' War in 1967 and, in short, confirming the principle of «land for peace». Likewise, the architecture of the Peace Process was formulated, through the entering into of direct bilateral negotiations between Israel and each of the Arab States (Jordan, Syria and Lebanon) and between Israelis and Palestinians.

At the same time, a structure for multilateral negotiations was devised in order to address issues of regional interest in five working groups (security and disarmament, refugees, regional economic development, and water and the environment).

In this way the Israeli demand for bilateral channels was combined with international coverage. Although the central issues of the peace agreements had to be negotiated by the parties, the role of the joint sponsors and other international contributors, working in the multilateral track and acting as catalysts, was essential. It is fair to think that it would have been very difficult for the parties, on their own, to meet such a complex challenge, while sustaining its momentum. The philosophy of Madrid was based on a gradual approach that would allow for progress towards a final solution of the Palestinian problem and that, in the meantime, would promote confidence between the parties. The so-called «Oslo Agreements» (1993 Declaration of Principles and 1995 Interim Agreement) came into being in this way. They established a provisional phase, or one of self-government for the Palestinian Territories, during which the withdrawal of Israeli troops from these territories would take place and civil power would be transferred to the Palestinian Authority. According to the Agreement, this provisional phase would last for five years and the Final Statute would then be negotiated, covering such issues as the future of Jerusalem, the refugees, the settlements, and the borders.

The Middle-East Peace Process advanced rapidly during the first five years notwithstanding the intrinsic difficulties, thanks to the determination of many political leaders of the region, including Prime Minister Yitzak

Rabin, who paid with his life for his brave bid for peace.

Ever since the Likud Party Coalition came to power in May 1968, comprising nationalist and religious parties, the government led by the prime minister, Benyamin Netanyahu, has adopted a more rigid and intransigent policy that, until the recent Wye Memorandum, obstructed further progress in the Peace Process beyond the troop withdrawal from Hebron carried out in January of last year. The current Israeli prime minister insists on the absolute priority of guaranteeing Israel's security, on terms in which the territorial component takes precedence. At the same time his coalition rejects the possibility of a Palestinian state. Since last year, however, this option has not been ruled out by the Israeli Labour platform.

The EU has continued in 1998 to express its extreme concern about the lack of progress in the Middle-East Peace Process and the threat that this poses for peace and stability in the region. Through the efforts made by its Special Envoy for the Middle East, Spanish diplomat Miguel Angel Moratinos, as well as through its diplomatic relations with the involved and interested parties and its financial contribution, the EU has striven to support the relaunching of the process, by suggesting ideas and proposals. The contacts with the United States and the backing for its initiative, whose successive steps it has followed attentively, have been significant. Among other things, we should remember the London meeting in May and the visits to the Middle East by the Presidents of the Council and the Commission.

Parallel to the EU's political role, we should recall its essential economic and financial contribution to the Peace Process, as the main aid donor to the Palestinian people (approx. US\$1.437 billion over the past five years). This aid has an important political mission to perform in the case of the Palestinians, in the sense that it enables them to diminish their intrinsic inequality as a party vis-à-vis Israel, thereby giving them a stronger negotiating position.

The Cardiff European Council (15-16 June 1998) made a pressing call upon Israel to recognise the Palestinians' right to the exercise of free determination, without excluding the option of an independent state. At the same time it asked the Palestinians to reaffirm their commitment to Israel's legitimate right to live within secure and recognised borders. It also recalled the EU's opposition to Israeli settlements in the occupied territories and its commitment to co-operation in the matter of security, which must be total, constant and unreserved. It likewise expressed its concern

about the lack of progress in the Syrian and Lebanese tracks of the Peace Process, insisting on the need to reactivate them in order to achieve comprehensive peace based on the principle of land for peace and the pertinent Security Council resolutions. Although it welcomed Israeli acceptance of Security Council Resolution 425, it renewed its call for full and unconditional withdrawal of Israeli forces from southern Lebanon. Finally, it confirmed its intention to continue collaborating, through its Special Envoy, its diplomatic relations and its economic involvement, as well as through its relations of friendship with the parties concerned both within and without the region, with a view to restoring confidence and strengthening the Peace Process.

All eyes are now focused on the implementation of the Wye agreements, in the hope that progress will also be generated in other tracks of the process.

CYPRUS AND TURKEY

The Cyprus dispute affects not only the European Union's relations with that country, but also the European Union's relations with Turkey, Greco-Turkish relations, and the stability of the Eastern Mediterranean. Therefore, Cyprus is frequently presented more as an object than as a subject in the disputes that polarise its surroundings. The historic and psychological factors that are involved, which at times are presented with passionate overtones that leave little margin for political rationale, merely accentuate the divergent profiles.

The European Union continues firmly committed to the goal of achieving a political and peaceful settlement of the Cyprus issue, on the basis of the pertinent UN Security Council resolutions, in order that an end may be put to the division of the island. The EU's position is that a dual-community and dual-zone federation of two politically equal bodies must be achieved. The accession of Cyprus is envisaged from this perspective of civil peace and reconciliation, as pointed out by the Luxembourg European Council. However, when the accession negotiations started in March 1998, the EU was forced to note regretfully that it had not been possible to draw closer to a mutually-acceptable solution. The Turko-Cypriot community responded negatively to the Cypriot Government's invitation to send representatives to the negotiations, although the offer remains open. At the same time, concern continues about the excessive number of wea-

pons in Cyprus, which contributes to raising the tension in the region. As a result, efforts should be redoubled to ensure that all parties concerned understand and appreciate the benefits that would be obtained if the unified island were to accede to the European Union. In the same way, there is no doubt that in order to further a solution to the Cypriot dispute, it is necessary to continue to stimulate relations between the European Union and Turkey.

With regard to Turkey, many people expect it to decide between its European or Asian, lay or Islamic, and Eastern or Western options. However, its specific nature as a bridge between different cultures must be valued, since this constitutes one of its major sources of wealth in all spheres. Likewise, its options aimed at consolidating its democratic system (an essential condition for its progressive integration into Europe, of which it is an ally within NATO) must be respected and encouraged. Its dual European and Asian nature gives it a strategic value difficult to equal. Turkey can play the part of a meeting place between Europe and the Near East and the Caucasus and Central Asia, as well as a central point radiating stability and prosperity—at a time when there is significant international interest in the Caspian oil resources.

The EU has reiterated its marked interest in the political, economic and social stability of Turkey, which it considers to be a stabilising factor in the entire area. The Luxembourg European Council (14, December 1997) confirmed Turkey's eligibility to become a member of the Union, based on the same criteria as those applied to other candidates, and drawing up a strategy to this end. The disappointment shown by Ankara is partly understandable. It led to the announcement by Prime Minister Yilmaz that, «there will be no more political dialogue between Turkey and the European Union», while at the same time adding that the process of integration of the north of Cyprus into Turkey would move ahead, in parallel with the negotiations on the accession of the Republic of Cyprus to the Union.

In March 1998, the Commission formulated different proposals to promote the development of relations on a solid and evolutionary basis. Notwithstanding the differences that arose concerning the future accession and the fact that Ankara declined to participate in the London Conference, which all the candidates had been invited to attend, there is a clear will to improve bilateral relations to the mutual benefit of both parties, although this also requires active co-operation by Ankara and a positive attitude of rapprochement over the Cyprus issue. The hope remains that Turkey will

agree to attend the second Conference, which is due to take place under the current presidency of Austria, and that it will reactivate its dialogue with the EU.

THE BALKANS

EX-YUGOSLAVIA

If, on the one hand, the process of separation and independence of Croatia, Serbia and Slovenia is gradually being consolidated, peace in Bosnia-Herzegovina is progressing slowly, and even with worrying uncertainties, within the framework of the Dayton Agreements. The results of last September's elections showed a strengthening of the ultra-nationalist political parties led by Radovan Karadzic. However, the re-election of Alija Izetbegovic as Bosnian representative in the collegiate presidency, which opens up a possibility of continuity in the implementation of the Dayton agreements, and the election of the moderate Zivko Radisic as Serbo-Bosnian representative in this presidency, together with the absence of Momcilo Krajisnik, are positive developments.

The consolidation of peace in the former Yugoslavia, including its institutional development, reconstruction and the return of the refugees, has constituted one of the EU's priorities over the past year. It was materialised in the form of assistance in an amount of 250 million ECUs. The EU's role as the primary contributor to international assistance was ratified at the fourth Conference of Donors to Bosnia and Herzegovina (Brussels, 7-8 May 1998). Humanitarian assistance has received special attention. However, despite some improvements, the events in the region—and especially the Kosovo crisis—could lead to more serious challenges.

In general terms, the EU's relations with the countries of the region (Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, the former Yugoslav Republic of Macedonia and Albania) have continued along the guidelines of the Conclusions of the April 1997 Council, ratified on 28 April 1998. At the end of this year a decision will be taken about the continuation in 1999 of the trade regime, bearing in mind compliance with the established political terms. Relations with the FRY have been dominated by the development of the Kosovo crisis and the successive attempts to persuade President Milosevic to put an end to the indiscriminate use of violence, as well as similar calls upon the Kosovo Albanian leadership. In

June 1998, the Cardiff European Council ordered President Milosevic to terminate the operations of the security forces against the civilian population and to withdraw the security forces used for repression; to facilitate international supervision in Kosovo, and the return of the refugees, as well as free access by humanitarian organisations; and to advance in the political dialogue with the Kosovo Albanian leadership. Otherwise, he was warned, the international community would have to opt for much tougher action.

At the same time, a number of complementary measures were adopted (a weapons and materiel embargo, the refusal to grant visas, the freezing of export credits and a prohibition against new investment, as well as the prohibiting of flights between the FRY and the EU). The EU is opposed to independence for Kosovo, but is in favour of a special status, with wide-ranging autonomy, within the FRY. As for Croatia, the EU's position continues to be based on the Dayton/Paris Peace Agreement, and with regard to Bosnia Herzegovina, on the objectives established at the Bonn Peace Implementation Council (December 1997).

ALBANIA

With regard to Albania, the EU has reactivated its political dialogue with Tirana and has continued to provide aid for the purpose of overcoming last year's political, economic and financial crisis.

MALTA

Following the suspension by Malta of its application for accession to the EU in 1996, which prevented its probable inclusion in the package of priority candidacies adopted at Luxembourg, a Partnership Council was held in April 1998 at which both parties agreed to continue the future development of their relations (Joint Declaration on Political Dialogue). There was a new government following the Malta general election, which once again included the submitting of an application for accession among its goals.

THE SECURITY OF EUROPE AND THE STABILITY AND SECURITY OF THE MEDITERRANEAN

With regard to the potential for conflict in the Mediterranean, analysts coincide in the fact that, in the same way as in other parts of the world, a significant change of direction has taken place in this new era that has succeeded the cold war and bipolarity. The danger of armed conflict between states has also declined in the Middle East since the Camp David Agreements in 1979 and the Peace Treaty between Israel and Egypt, as well as the most recent treaty with Jordan and the agreements entered into with the Palestinians. However, the risk remains comparatively high, given the block-ing of the Peace Process. Likewise, there is increased danger of domestic conflicts which almost always have more or less far-ranging international repercussions. This constitutes a complex challenge to security.

In societies in transition, such as those on the southern shore of the Mediterranean, the old sources of conflict, such as the cultural, ethnic or religious antagonisms, are enhanced by new factors such as the lack of proper government, population problems, the scarcity or improper use of natural resources, environmental degradation, and weapons proliferation. The remedies to these problems are as complex as their causes. They involve the need for a continued effort that combines a variety of instruments. This is a task that requires the participation of international organisations, as well as multilateral and bilateral co-operation between states. The preventive dimension, directed at defusing tension, stopping the immediate violence and implementing preventive policies that address the underlying causes of conflict (peace building), is a key issue. Once they have erupted, conflicts are much more difficult to resolve.

Apart from intensified dialogue and classic security methods, the long-term building of stability and security requires elements such as co-operation, trade, backing for democratisation, good governance, and the strengthening of civil society. The diversity of instruments underlines the need for coherent and global approaches that integrate these different elements in a comprehensive and long-term perspective.

Short-term conflict prevention can include measures ranging from mediation/negotiation to diplomatic or economic pressure—supported, if need be, by the willingness to resort to military means (i.e., the strategy applied in ex-Yugoslavia). At the same time, prevention and the capability to carry out actions at short notice implies adequate early warning. That involves the study of long-term trends and underlying sources of violence, as well as the short-term monitoring of events likely to unleash it.

Deriving from its responsibility as one of the main actors in ensuring international stability (for obvious reasons, including that of its proximity) the European Union is called upon to play an active role in the Mediterranean, by helping to prevent or manage crises. This must be done in close contact with other countries of the region, with the UN, with other competent international or regional organisations that have a Mediterranean dimension or have established a dialogue in the area (the Council of Europe, the OSCE, the WEU and NATO), but also the Arab League and the AMU in the Maghreb. Close co-ordination with the United States, as laid down in the Trans-Atlantic Action Plan, is likewise essential.

To summarise, it can be said that the greatest difficulty for the countries on both sides of the Mediterranean is how to assure a peaceful and negotiated settlement of their differences, which is based on co-operation and the need to address a common destiny at a time of transition that, although to a different extent and in different ways, affects them individually a states as well as regionally and sub-regionally.

Interest in security and co-operation in the Mediterranean has developed considerably in the past few years, giving rise to different Western-European initiatives. All of them strive to find the means of making a specific contribution to the stability of the neighbouring regions.

This must consist of a gradual rapprochement that takes into account the sensitivities of the countries on the southern shore. They are suspicious of what could turn out to be an attempt by Europe to project its own schemes in this area, and would like such initiatives to lead to true dialogue, aimed at building together a system of stability and security in the region. At the same time, their interests and commitments in the context of other regional institutions to which some of them belong, such as the Arab League or the Organisation of African Unity (OAU), would have to be taken into account.

The overall perspective from which the countries of the southern shore view the stability and security of the area must be appreciated and understood. For many of them, as shown in their positions within the framework of the different Mediterranean dialogues now under way, socio-economic, cultural and environmental factors, for example, constitute harsh realities that must be addressed. They also endanger their internal security and sub-regional relations, and constitute risks which are as great, if not greater, in the immediate term than the traditional risks. They insistently ask not only

that Europe bear this duly in mind in such dialogues and in general co-operation with them, but also that it do so within its own European security scheme.

THE BARCELONA PROCESS AS AN INNOVATIVE INITIATIVE FOR SETTING UP AN AREA OF STABILITY AND SHARED PROSPERITY IN THE MEDITERRANEAN

In the *1997-98 Strategic Panorama* produced by this Institute, a more detailed analysis was made of the Euro-Mediterranean Process that led to the Conference and Declaration of Barcelona of 27 November 1995. Taking that analysis as the point of departure, the time has come, in this new edition, to evaluate it together with the prospects of its immediate developments.

By way of synthesis, and as a reminder, it must be pointed out that the European and Mediterranean countries of the EU, among which Spain cannot be discounted, played a key role of promotion. This was the consequence of the maturing, since the seventies and eighties, and in conjunction with the incipient European political co-operation (now the European Security and Co-operation Policy—better known as the CFSP-PESC), of the need for a comprehensive and multilateral relationship that would complete the traditional framework of bilateral relations between the EU countries and its associates of the South. Its window of political opportunity arrived with the profound changes in world policy and the European scenario which prevailed in the first half of this decade, followed by the Kuwaiti crisis and the advances in the Middle-East Peace Process (MEPP) following the 1991 Madrid Conference and the Oslo Agreements between Israelis and Palestinians. The goal was to promote peace and stability in the Mediterranean, in the wake of the aforementioned geopolitical changes and the emerging new challenges, through an innovative partnership capable of contributing decisively to resolving the many and complex regional issues. Its rationale lay in the fact that the political, economic and social co-operation leading to development, modernisation and the creation of an area of shared prosperity, would constitute the building blocks of stability and would bring peace to the area.

Based on this philosophy, Barcelona was conceived in relation to the Middle East as a *post pacem* process, at a time when the MEPP appeared to be channelled in the right direction, with a solution just around the corner. The purpose of Barcelona was that of helping, through the creation

of positive synergy, to settle the conflicts and tensions in the regions, but it was not an attempt to replace the already-existing processes. At the same time, it was assumed that the sheer magnitude of the Barcelona Process and its importance for all its members would in some way place it above the parties.

The negative effects on the Barcelona Process of the stagnation in the Middle East Peace Process became clearly visible, especially in the political chapter of Barcelona, but also in respect of other aspects, such as the possibility of carrying out sub-regional co-operation. The reasoning behind the position of Barcelona's Arab members was that their agreement to participate in it with Israel was the result of the progress achieved in the MEPP and that the co-operation which it brought in its train constituted a compensation. When the MEPP came to a standstill, it was not fair that Israel should receive that benefit. This same reasoning was applied to the MEPP's multilateral tracks, such as the MENA Economic Conference.

The second Euro-Med Ministerial Conference in Malta (1997) was for this reason, as well as the mistaken decision to use it to relaunch the MEPP, a chilly occasion, but notwithstanding its difficulties, it provided an opportunity for reflection. An awareness began to develop on both sides of the Mediterranean of the dangers inherent in converting the Barcelona Process into a permanent hostage of the MEPP. Without ignoring the inevitable connection, its comprehensiveness and range should place it on another plane, in order to enable the shared principles and goals formulated in the Declaration and the Working Programme to be implemented. The *ad hoc* Ministerial Conference of Palermo, held in June 1998 and entrusted with evaluating the course of the Process, showed a clear and shared political will to maintain its progress and to further its subsequent development. Common, comprehensive and long-term interests gave the process a basis of renewed strength.

Barcelona's *raison d'être* combines a wide range of elements incorporated into its three Chapters and its Working Programme. These are interdependent dimensions that must be mutually reinforced. Together, they must afford greater confidence, a gradual convergence, and the foundations on which to gradually build—among all its members—a specific Euro-Mediterranean system of stability and multilateral or collective security that is able to benefit from other previous positive experiences, such as those deriving from the European process and from a new concept for the inter-regional relationship.

In this sense, the Association Agreements between the EU and the Southern countries, which Barcelona sets out to complement by means of multilateral co-operation, constitute a powerful instrument for promoting such convergence.

There are still major difficulties and uncertainties, and a long road still lies ahead, but it can be said that, for its members, the Barcelona Process is the best option available. During decades of instability in the region, nothing similar has been possible or was attempted.

The goal is not only to promote a comprehensive North-South relationship, the immediate ambitious intention of which is to set up a free trade area by the year 2010, constituting a key instrument in creating a Euro-Mediterranean area of shared prosperity, albeit not its ultimate objective. Also envisaged is a sub-regional partnership, the need for which becomes more or less acute according to the existing asymmetry between it and Europe, as well as its evolution and new realities. One of them is awareness of the essential indivisibility of the political processes: security and socio-economic development, both national and international.

In order to meet this challenge, the basic ideas incorporated into the Barcelona Declaration require:

- a sufficient degree of consensus on the universalisation and consolidation of democratic values;
- a new global concept of security in the region based on peaceful relations, co-operation and a system of reciprocal guarantees and controls;
- a social policy oriented towards liberalisation and tolerance of other people's values, together with the search for a common denominator;
- the reduction of the existing asymmetry between the levels of integration and socio-economic development of the North-South and South-South axes;
- a positive synergy and convergence between the processes existing in the area, while working towards the attainment of greater co-operation and the integration of policies in the different fields.

The concept of stability invoked at Barcelona has a dynamic rather than a static sense, associated to the guidelines incorporated into it. Among them, it should be recalled, are: mutual respect and the obligations deriving from international law and the regional instruments to which the members are a party; sovereign equality, territorial integrity and non-inter-

vention in internal affairs; people's equality of rights, including the right to self-determination; the rule of law and the essential democratic principles as well as the fundamental political and civil freedoms, which cannot be dissociated from a more balanced model of development for the region; diversity, pluralism and tolerance; and the peaceful settlement of disputes.

From this perspective, Chapter I of the Barcelona Declaration incorporates major goals and the means for enhancing the political dialogue and achieving peace and stability. However, a common strategic language in the region is still lacking, wherefore a joint conceptual basis needs to be developed to deal with the main elements.

The plan for/objective of a security and stability charter must be conceived as a flexible framework, based on a shared perception of the principles and aims agreed at Barcelona. This must constitute a voluntary political instrument of an evolutionary nature that, without carrying with it any legal obligation, implies a moral commitment destined to develop such principles, while providing the appropriate structure for the progressive construction of the partnership in this sphere.

The task is not easy for several reasons, ranging from conceptual plurality to the political situations or conflicts still persisting in the region, whose solution depends on reconciliation.

Another obstacle has historic, psychological, socio-economic and cultural roots that require the gradual building up of the partnership, in the search for a confluence of perceptions about the main risks for stability and the creation of common security, while bearing in mind the diversity of traditions and values that make up the respective identity of each country. Among the aforementioned risks are: terrorism, organised crime, political and social violence, economic problems, cultural conflicts (including religious issues), and migratory tensions. Some cases will require waiting until the political conditions prevail that will make convergence possible. It will also be necessary to make the commitments of the member countries of Barcelona compatible with their membership in different regional organisations with influence in this sphere. Finally, greater transparency, information exchange and confidence building are necessary, given that a suspicion sometimes persists in the South that Europe is trying to plan and impose its own security schemes, rather than, together with them, evolve a new scheme, adapted to the specific circumstances and needs of the Euro-Mediterranean region.

Only from this participatory and collective perspective, which provides a multilateral framework, will it be possible to conceive the future of the Mediterranean with any degree of optimism, in the hope, of course, that it will be peaceful and harmonious. Only through it will it be possible to predict with a certain amount of confidence the necessary convergence of the different ideological systems, attenuate insofar as possible the major socio-economic disparities, temper the excesses of exalted nationalisms and their aftermaths and, in short, face up to the multiple sources of conflict that endanger the peace, stability and prosperity of the whole region.

After the critical moment represented by the Second Euro-Med Ministerial Conference (Malta, April 1997), the Barcelona Process was revitalised at the *ad hoc* Ministerial Conference at Palermo last June that, according to all the European and Arab member countries, reaffirmed the spirit of Barcelona and gave fresh impetus to the Partnership.

It was possible at Palermo to focus the concepts of security and stability from an overall standpoint, including in them the ideas of economic and social stability. Moreover the complementarity of the Barcelona Process and the MEPP was clarified once more, in the sense that they would be considered parallel but interactive, with the former exerting a positive influence but without holding the latter hostage.

It was also possible to take specific decisions that were unanimously considered encouraging (e.g., dialogues on migration and terrorism, progress in the work on drawing up a Charter for Peace and Stability, approval of the Spanish idea for a Conference on Regional Co-operation, among other subjects), both by the partners of the South and by the European countries most involved and interested in the effective development of the Euro-Mediterranean Association.

With regard to the immediate prospects, the third Euro-Med Ministerial Conference is due to be held in April 1999 in Stuttgart. It is also very important because it will coincide with the renewal of the MEDA budgets which, according to the priorities laid down to date, must strengthen the overall concept of security and stability, thereafter developing the substantive contents of the Euro-Med Association.

Added to the confirmation and consolidation of the positive general climate emanating from the *ad hoc* Palermo Conference, which was directed at stimulating the greater, balanced and interactive development of the three Chapters of the Barcelona Process, is a renewed spi-

rit of participation and less distrust on the part of the Partners. At the same time there is a greater willingness to enter into true dialogue, as well as sensitivity on the part of Europe concerning the issues brought up by them. A more flexible and pragmatic Arab attitude can be appreciated: without renouncing the connection of the Barcelona Process with the MEPP, nor the upholding of their position in this respect, they are anxious to preserve all the common prospects and interests deriving from the Barcelona Process.

THE MEDITERRANEAN FORUM

A precursor on a minor scale of the Barcelona process, the Mediterranean Forum groups 11 countries (Spain, Italy, France, Greece, Portugal, Malta, Morocco, Algeria, Tunisia, Egypt and Turkey). The Ravello Ministerial Session (1996), followed by that of Algiers (1997), confirmed the importance of preserving it as an informal and flexible forum and a laboratory for Mediterranean ideas, since then oriented towards a more substantive contribution to the Barcelona Euro-Mediterranean Process without undergoing dilution of its specific nature. Spain held the presidency of the Forum from the time of the Algiers meeting until the Palma de Mallorca Ministerial Session (April 20-21, 1998). During that period important work was achieved within these general guidelines. This helped to transfer initiatives such as the start of dialogues on terrorism, migration and the movement of people, as well as conceptual contributions to the tasks concerning security, stability and different areas of co-operation in the economic and socio-cultural areas, to the framework of Barcelona. That contribution, ultimately reflected in the Palma de Mallorca Conclusions, was incorporated into the aforementioned *ad hoc* Euro-Med Ministerial Meeting of Palermo, and continues on the agenda, under the current Maltese presidency of the Forum, with a view to the third Euro-Med Ministerial Conference at Stuttgart.

THE OTHER «MEDITERRANEAN DIALOGUES»

Most of the members of the European Union are at the same time members of NATO and, together with the Organisation for Security and Co-operation in Europe, the Council of Europe and the Western European Union, they participate in the Mediterranean dialogue to a greater or lesser extent. In the South, the institutions to which the coastal countries

belong cannot be overlooked—especially the Arab League and the Arab Maghreb Union, although the latter has sunk into a state of lethargy, for well-known political reasons. Finally, in the economic field, within the specific framework of the Middle-East Peace Process, there is the Economic Conference for the Middle East and North Africa (MENA). Nor, in the field of regional security, can the connections with weapons control and disarmament agreements be forgotten. These are: the Non-Proliferation Treaty (NPT), the Chemical Weapons Treaty (CWT), the Biological Weapons Treaty (BWT), and the Nuclear Test Ban Treaty (NTBT).

This poses the question of what the contribution of these and other bodies or international organisations (e.g., UNESCO and the Inter-Parliamentary Union) will be to the Mediterranean dialogue and what their connection will be with the Barcelona Process, bearing in mind the different features and substance of these bodies.

From the standpoint of the European Union, it is the latter which, on account of its global nature, must co-ordinate the efforts of the Mediterranean dialogue. However, all contributions are useful, as long as the principles of complementarity and coherence are observed regarding initiatives that are sometimes similar in content but have different components and institutional commitments. In other words, they must support each other mutually, but refrain from interfering.

In this sense, Spain itself has provided strong inspiration to the Mediterranean dialogue of the New NATO, from the time of the alliance's Strategic Concept, adopted at the 1991 Rome Summit, and the 1994 Brussels Declaration, to the agreement on this matter adopted at the Sintra Ministerial Council and then endorsed at the Madrid Summit. The level of this dialogue was raised with the setting up of the Mediterranean Co-operation Group. Its first contacts with the six countries (Egypt, Morocco, Tunisia, Jordan, Israel and Mauritania) which currently participate in the 16+1 dialogue have been encouraging.

However, it is necessary to bear in mind the sensitivities that, for different reasons, persist in the Arab countries regarding the Mediterranean initiatives by the Western-European security organisations. In this context, and with a view to diminishing such misgivings, Europe has undertaken the task of explaining aspects such as EUROFOR, EUROMARFOR and the Hispano-Italian amphibian force set up at the bilateral summit of 10 September 1997.

CHAPTER FIVE

IBERO-AMERICA

IBERO-AMERICA (*)

By JOSÉ SÁNCHEZ MÉNDEZ

Overall, 1998 can be considered a positive year for Ibero-America, even though the region's economic performance—albeit excellent—was lower in terms of macroeconomic figures than in 1997. Nonetheless, a majority of the region's inhabitants still voice concern over their future. These at least were the findings of a large poll taken by Corporación Lati-nobarómetro, a non-profit organisation based in Santiago de Chile that was founded with aid from the European Union. The survey interviewed over 17,500 people in 17 countries throughout the region (with a few glaring exceptions such as Cuba), and provided such a good overview of the sub-continent that the mammoth task has been repeated three times consecutively. From Rio Grande to Tierra del Fuego, Ibero-American citizens expressed their concern over the state of affairs, and 77 percent felt that the situation of their country was either stagnant or getting worse. Although the institutions of Ibero-America continue to enjoy the support of a majority of the population (with 63% expressing support in Mexico and South America and 66% in Central America), the results of the poll cast doubt on whether Ibero-American institutions are strong and stable enough to withstand the growing dissatisfaction. The inhabitants of the region are also beginning to express their dissatisfaction with the workings of democracy, with a full 65% claiming disappointment with the system. The exceptions are Uruguay and Costa Rica, both of which have long-standing

(*) Translator's note: The IEEE opted for this term rather than the more commonly used «Latin America» in order to reflect the Iberian peninsula's special links with those countries.

traditions of democracy, and where 60% of the population claims to be satisfied with the progress of democracy.

This widespread dissatisfaction could be the reason behind the growing support for authoritarian forms of government, even in countries where democratic institutions formerly enjoyed considerable backing. This is the case in Mexico for instance, where in just one year support among the population for an authoritarian government has increased to over 30%, eight points higher than last year's level. The advance of authoritarianism is closely tied to the widely held view that governments are increasingly ineffective and powerless. In one year, there was a drop from 60% to 48% in the percentage of people who regarded the government as the country's most powerful institution, whereas the number of people who thought that multinationals and large companies were the country's true power brokers dropped five points to 44%. If this is the case, who has increased their power and influence throughout the continent? The almost unanimous reply is the political parties and the armed forces. In Central America however, the survey indicates that the influence of the armed forces has actually waned (from 28% to 18%), as a result of increasingly stable democracy following the devastating conflicts waged in the previous decade.

POLITICAL ASPECTS

According to James Petras, sociologist and professor at New York's Binghamton University, two of the basic principles of Ibero-America's transition to democracy—government by alternating administrations and inability of governing parties to use official institutions to retain their grip on power indefinitely—are in grave danger right now. In his view, even though the principle of alternating government remains in force, it has lost much of its meaning for many citizens, whose growing lack of interest has led to a drop in voter participation. This apathy is caused by the incapability of political parties and leaders to implement measures to ensure that all parties play by the rules of democracy in their election campaigns and to prevent a situation where although parties and leaders come and go, their style of politics is the same.

According to Petras, the second threat is a resurgence of *continualism*, or self-perpetuation, although within the framework of a representative system instead of a military regime. It has traditionally been held that

abuse of power by the governments of Ibero-America has made the system of authoritarian governments endemic to the region's culture, not only in the sense of individuals holding on to personal power, but also institutions such as the armed forces, and in the practice of limiting candidates in elections to hand-picked successors. The renowned sociologist feels that the influence of vested interests has fostered political corruption and therefore made it necessary to eliminate one of the key features of *continualism*—the habit of re-electing the president. However, several administrations have used the resources and influence of the state to introduce constitutional reforms designed to perpetuate their hold on power, and Petras maintains that over half of Ibero-America's population continues to live under *continualist* regimes. The professor ends by adding that this practice is a departure from the rules and regulations of democracy and that these civilian authoritarian regimes initially arose from open political competition with the aim or excuse of ensuring that the country did not fall once again under the sway of military regimes, but that they are in reality virtually identical in both form and content to these very same regimes. This fact renders futile all efforts at breaking with the past and actually paves the way for a return to the militarisation of politics through this new electoral authoritarianism.

In the 1998 edition of the *Strategic Panorama*, the London International Institute for Strategic Studies maintains that although the military in Ibero-America have returned to their barracks, they have not renounced influence or power, but simply adapted their tactics to the new circumstances of democracy. As an example, the article points to the designation in May 1997 of General Hugo Banzer as president of Bolivia. Though he did in fact win the post by fair election, the former dictator nonetheless was able to once again to participate in politics and regain power. After citing a number of similar cases of the participation of the military in various Ibero-American republics, the IISS warns that many former and current army officers are beginning to emerge not only as possible presidential candidates, but also as a power behind the scenes that exercises considerable influence over democratically elected civilian governments. The article cites in particular the case of General Augusto Pinochet who in March 1998 renounced his post of Commander in Chief of the Armed Forces of Chile in order to be appointed senator for life according to the constitutional provisions of 1980 that were drawn up when he was president. From this position he is able to take part in and influence the country's budget and other important policy decisions.

The aforementioned London institute goes on to mention a number of other cases of the military vying for considerable power through less constitutional means. It specifically cites the armed forces of Mexico, whose influence has grown due to the high-profile fight against Zapatist guerrillas and the five major drug cartels who exert an ever-increasing influence over the affairs of the country. It also points to the case of Colombia, where the armed forces have secured a powerful position for themselves at regional and local level under the pretext of combating the country's guerrillas, drug lords, and paramilitary militias. A further example is Ecuador, where the armed forces constitute one of the country's most popular institutions. The military earned this popularity by its role in modernising the country during the decade of the 1970's when the large profits were being earned from the sale of oil. The IISS goes on to mention Peru, where Alberto Fujimori relies on the army to bolster his own position, particularly following the operation mounted to rescue the hostages held by guerrillas at the Japanese embassy in April 1997. The IISS ends its analysis by stating that future threats to democratic stability in Ibero-America will not come from military take-overs, but rather from capable officers who will attempt to fill institutional, political and social power vacuums in fairly stable democratic governments with good economic growth, but that are victimised by organised crime tied to drug trafficking, and the vestiges of guerrilla movements that have not been completely eradicated, especially in Colombia, Mexico and Peru.

In early September 1998 the 12th summit meeting of the heads of state and government of the fourteen nations of the Rio Group was held in Panama. The leaders of Argentina, Brazil and Uruguay did not attend on account of the serious economic setback caused by the international financial crisis in summer 1998, among other pressing domestic problems. The Rio group currently includes Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, as well as two rotating representatives of Central America and the Caribbean. At this summit, the four member states of Mercosur (Argentina, Brazil, Paraguay and Uruguay) and Peru laid down their conditions for the incorporation as full members into the Rio Group of the democratic Central American and Caribbean countries that had requested membership. These conditions—an in-depth discussion of the timeliness, advisability and nature of enlargement—stemmed basically from the concern that the enlargement of this group, founded in 1986, would be tantamount to establishing a new Organisation of American States, though without the United States and Canada. In my opinion, they are badly mistaken, for if the

Ibero-American countries are to command respect, as they rightfully should, from their two more powerful neighbours to the north, they must do so together, with a single, united voice, as is the case of the European Union. In Panama City, Ibero-America demonstrated the progress it has made in consolidating democracy, but also its failures in implementing the mechanisms necessary for building confidence and cushioning the effects of the economic crisis of summer 1998. Servicing a foreign debt of 640 billion dollars uses up a good part of domestic savings and affects the budget, development programmes and the fight against poverty and unemployment. At the Panama meeting, the Rio Group negotiated with the International Monetary Fund to exert greater multilateral control over the flow of speculative capital that volatiles capital and penalises weaker economies.

SECURITY AND DEFENCE

Urban violence, guerrillas, clashes between indigenous populations, drug trafficking and border disputes continue to be the most serious problems that undermine the stability of the Ibero-American subcontinent.

Political Violence

At the 39th annual assembly of the governors of the Inter-American Development Bank (IADB) held in the Colombian city of Cartagena de Indias from 12-18 March 1998, it was warned that *political violence* levels are now well above the world average and that this is having considerable impact on social life and economic activity in the region. The report entitled «Economic epidemiology of urban violence» drawn up by economist Juan Luis Londoño for the IADB states that there are some 140,000 homicides per year in the region, that every Ibero-American loses an average of three working days because of violence and that 28 million families are victims of theft or burglary every year. Londoño estimates that violence in Ibero-America is five times higher than in the rest of the world. Violence represents a huge cost for the economy, since the destruction of goods amounts to 14.2 percent of regional GDP and human capital losses total 1.9 percent of the Ibero-American GDP—equivalent to total expenditure for primary education—while capital resources losses stand at 4.8 percent of GDP. In the opinion of different experts from the Inter-American Development Bank, this wave of violence is holding back the growth of the Ibero-American economies by between two and three

points of their GDP each year. Few dispute that this is the cost, though the specialists in violence do not agree on the causes and possible solutions. While Londoño and the IADB blame the problem on lack of education, possession of arms and consumption of drugs and alcohol, other economists, among them the Peruvian Adolfo Figueroa, believe that poverty and social inequality are the only cause.

The guerrilla

As mentioned in last year's *Strategic Panorama 1997-1998*, the disappearance of the socialist bloc left the *guerrilla* without an ideology or social model, and its message thus lost much of its force and credibility. Furthermore, the many years spent underground have, in a sense, led to a sort of professionalisation of the guerrilla groups. The *vacunas*, «vaccines», as the protection money they demand is called, kidnapping and a hand in the drug trade have become a comfortable and profitable way of life which they are not willing to abandon, and this explains why most of the Ibero-American revolutionary groups are reluctant to disappear from the scene even though the cold war has ended. What is more, in many parts the *guerrilla* has become a substitute for the state, basically as far as social and welfare services are concerned, and the state has lost its authority in large areas of several Ibero-American countries.

At the same time, as the well-known political scientist Román Ortiz warns, the continued action of the guerrillas, together with the armed forces' inability to neutralise their activities and stop them spreading, has led to the proliferation of paramilitary groups which started out as groups of extremists and have now become genuine private armies. This situation evidences that poverty and the fragility of the state are among the main factors that *guerrillas* feed off. The president of the Inter-American Development Bank, Uruguayan Enrique Iglesias, considers that the incidence of poverty and its absolute levels continue to be higher than in 1980, the rural areas being the worst hit. Therefore, maintains Iglesias, remedying this situation through greater social and political stability and higher economic growth is the major challenge the region faces at the beginning of the 21st century, while poverty today is creating an extremely tense socio-political atmosphere, as it is producing a mass of destitute people prepared to join different types of armed bands. Likewise, on many occasions governments cannot guarantee the provision of certain basic services such as public safety or the administration of justice, let alone others such as social security. According to Román Ortiz, this is clearly evidenced by the

fact that 90 percent of crimes against public safety go unpunished in the peripheral districts of cities such as Bogota, Lima, Mexico or Caracas. The fragile state of the administration, and in particularly that of justice, creates a perfect breeding ground for violence, since lack of state authority causes a vacuum that tends to be filled by guerrilla or paramilitary groups. Also, guerrillas often perform certain state functions, becoming the social basis that any armed group needs to survive. To all these factors should be added the complicated geography of the subcontinent, which hinders cohesion of states, since national resources cannot overcome the natural difficulties posed by forests, large rivers, impenetrable mountains and deserts.

A particularly significant factor which should be borne in mind is the complex relationship between the guerrilla groups and the indigenous population, in which the security forces and, as we will see later on, drug traffickers are also involved. The guerrilla groups usually operate in the more remote regions between the international borders—precisely those inhabited by the Indians—since they are the best places for escaping state control and provide a perfect base from which to carry out offensive actions and then cross the border. As a result, since they share their home with the guerrillas and sometimes with drug traffickers, as occurs particularly in Colombia, Guatemala and Peru, the indigenous populations have to struggle to keep the difficult balance with the armed bands in the region. Furthermore, the national governments are trying to identify the social groups that are vulnerable to subversive influences and the indigenous communities are usually classified as one of them.

Since the start of the guerrilla war, the Indians have been struggling to free themselves from the FARC, M-19, ELN and other rural guerrilla groups, trying to prevent the infiltration of rebel forces and being forced to support them, while, from the other side, the law enforcement bodies accused the Indians of conniving with the guerrillas. In Peru, the indigenous populations found themselves trapped between the Peruvian troops, on the one hand, and Shining Path (Sendero Luminoso) on the other. Thousands were killed, since each side assumed that those who called themselves neutral peasants backed the other side until the Peruvian military eventually changed their tack on realising that such assertions were false. Thousands of Ashinka were forced to join Shining Path or else provide them with financial support—which sometimes entailed the production of coca leaf—and although at the beginning of the 90s they managed to expel the Tupuc Amaru Revolutionary Movement (MRTA) from their terri-

tory, it seems impossible to do the same with the Senderistas. According to Peruvian sociologist María Isabel Remy, the indigenous communities are putting up increasing resistance to the domination and intimidation of Shining Path and are gradually joining forces with the military.

The Guatemalan armed forces initially believed that a large proportion of the Mayan people supported the former guerrilla fighters who are now activists of the URNG political party, the Guatemalan National Revolutionary Unit. The URNG is not an indigenous movement and, indeed, its ideology does not include the political and social claims of the Maya, but the military crackdown on this people led them to join the URNG by the thousand. Small armed groups that broke away from the indigenous Katanist movement in Bolivia led the security forces to launch a major operation to eradicate them, fearing that they would be taken over by Shining Path. However, according to anthropologist Xavier Albó, although those groups used indigenous slogans and names to attract the support of the rural population, they were never made up of Bolivian Indians. This was similar to the situation of the Puka Inti guerrilla (meaning «Red Sun» in Quechua) in Ecuador, on whom the army clamped down harshly, considering they were likewise influenced by Shining Path, even though this group was never made up of indigenous activists, but rather the student population of Guayaquil.

According to specialist in indigenous studies Donna Lee Van Cott, the Zapatist National Liberation Army (EZLN) is an unusual example of a guerrilla group and of an indigenous movement in Ibero-America owing to the circumstances which gave rise to its founding and subsequent transformation, its strange mixture of members and supporters and its set of cultural and basically nationalist left-wing ethnic claims. Van Cott writes that the EZLN arose from the merger of two groups. One of these was made up of Maoist intellectuals who were neither natives of Chiapas or Indians and former members of left-wing Mexican guerrilla groups who later settled near Chiapas, while the second consisted of a small group of indigenous activists who broke away from the pacifist Indian movement of Chiapas, fleeing to the Lacandón forest. Plummeting coffee prices in the international market in the early 90s, which left many rural co-operatives bankrupt, and the suspension of state subsidies led to growing discontent among the Mexican Indian population. The merger of the two groups gave rise to an organisation that combined the structure, strategy and military symbols of an armed movement of Marxist leanings and certain indigenous characteristics,

such as the basic demands of the pacific Indians of Chiapas, an appeal for dignity, self-determination, respect for the indigenous culture and identity and a considerable number of Mayan members, many of whom only speak Indian languages. Even though the pro-Indian movement and the EZLN are incompatible, they continue to team up in order to obtain mutual benefits.

CONFRONTATION BETWEEN THE STATE AND INDIGENOUS POPULATION

The *confrontation between the indigenous population and the state* in recent years has heightened the frustration of the Indians set on making political claims. Indigenous communities in Bolivia, Ecuador and Mexico have recently defied state authority in major disputes of a violent nature, as a result of the continual violations of their territorial and human rights. Where-as they have achieved recognition and protection through legal and constitutional reforms in some Ibero-American nations, they continue to be disproportionately the poorest of the poor and are frequently victims of countless abuse.

At a conference given at the US National Defense University, Donna Lee Van Cott stated that a better understanding of the concepts of security and defence from the point of view of the indigenous communities would help us to assess more rigorously the role of national policies in worsening or alleviating the inter-ethnic conflict in Ibero-America. Although relations between indigenous populations and the state differ considerably across the region, the national security aspects generally consist of defence of national sovereignty and territorial integrity and the fight against drug trafficking and armed movements. However, indigenous communities, governments and armed forces all have a different concept of *national security*, and this influences their mutual relations substantially.

The indigenous peoples regard themselves as nations and their concept of *national security* is intrinsically linked to their survival. In addition to physical security—defence from external coercion and violence—they strive to protect their cultural security as a way of preserving the indigenous *nation* as a social, territorial and political entity. The ethnic and cultural diversity of the 40 million human beings who belong to the dozens of indigenous groups currently living in Ibero-America is an often insurmountable obstacle to their integration, since they persist in looking at the world

in their own particular way—which is neither better nor worse, simply different—and view the development of an industrial society as an alien concept. We must accept that factors and circumstances such as the precarious subsistence economies of the communities that surround them, the diseases which their immune system is unable to resist, and western ways of life do not allow them to emerge from their voluntary isolation as a way of maintaining their own identity. The indigenous peoples are not familiar with the concept of frontiers or property and consider that the most important security aspect, in addition to keeping the lands they have dominated for generations, is to maintain the right to govern them as communal goods. They do not view the land merely as an economic resource, but also as a guarantee of their own government and autonomy; it represents the basis of the indigenous community as a social organisation, the vehicle through which their culture and identity are handed down to their descendants. In a very harsh communiqué issued on 13 January 1998, the Catholic church denounced the oil and timber companies that expropriate the Indians' lands, in many cases «in complicity with the public authorities». According to the Vatican, the indigenous communities are «investors in their own lands» yet are «stripped of them and of their culture». Contrary to the usual stance, it holds «the land-owning elite and the major companies that exploit timber and mining resources» directly responsible and goes on to state that these multinationals «have had no qualms about establishing a reign of terror, using intimidatory methods, illegal detentions and even recruiting armed groups to get rid of those who defend the weak».

The resistance the indigenous communities normally put up to direct threats to ownership, invasions or incursions into their territories in search of game and cultivable lands, the felling of trees, drilling for petrol or drug trafficking, leads to serious clashes in which they normally come off the worst. When they organise themselves into armed groups, it is almost always to defend themselves from the violent attempts to expel them from their ancestral lands or to oppose government policies to annul their territorial rights established in former laws. It is necessary to examine land ownership from the viewpoint of the indigenous peoples, who have recently begun to put themselves across as nationalities, claiming the right to autonomy laid down by international law. It is absolutely essential to understand their aspirations, traditions and cultural values in order to appreciate how violent the confrontation could become in the future and on what basis these people could function as an autonomous ethnic and

social group. Following the continuous, lengthy meetings between indigenous leaders and anthropologists in the seventies, an intellectual *Indianista* current emerged, which aimed at promoting the cultural values of the Indian civilisations by establishing the differences between their concept of society and that of the rest of the peoples of the continent. *Indianismo* advocates political autonomy and respect for their economic system and traditional authorities, particularly in the territories they consider their own. It emerged as an antithesis of *indigenismo*, a concept invented by the state to refer to the integration of the indigenous population into western culture through an apparent protection of their rights. Revolutionary Marxism, in turn, raises the objection that the clash between *Indianismo* and the state does not stem from cultural differences. It is likewise appropriate to distinguish between the different political currents and trends of the distinct indigenous groups and also to examine how social change in Ibero-America and ideological differences have affected the native American peoples. The protection of their language, culture, autonomy and lands are factors which influence the security of the subcontinent, but it is also necessary to analyse in depth the complex relations between indigenous communities, the armed forces, paramilitary groups and drug traffickers.

The control of natural resources in some countries in the hemisphere has had equally serious repercussions on the indigenous populations, particularly the policy pursued by Brazil regarding Amazonia. This region is home to 90 percent of Brazil's indigenous population, which is thought to amount to between 250,000 and 300,000 inhabitants divided into 200 separate ethnic groups speaking 170 languages and dialects. The largest of these are the Guaraní, the Tikuna, the Yanomano, the Makusi and the Kayapa, whereas the remaining 77 percent belong to ethnic groups numbering fewer than 1000 individuals. About 110 of these languages are spoken by under 400 people. Brazil kept up a strong military presence in Amazonia for a long time in order to protect its borders and control the exploitation of its mineral and timber resources. This has at times led different international agencies and non-governmental organisations to take action to prevent deforestation of the tropical areas through the felling or burning of large areas of forest in order to raise livestock and introduce commercial agriculture. They have also staged campaigns to protect the indigenous populations and their territories from illegal predation and from the gold seekers or *garimpeiros* and other adventurers who invade their lands with total impunity. It should be stressed that two of the biggest indigenous groups, the Yanomano and Makusi Indians, who live by the bor-

ders of Venezuela and Guyana, are a source of concern for the Brazilian military who fear that they may join forces with their neighbours, with whom they have ethnic links, to try to set up an independent Indian nation. It is therefore not surprising that one of the guidelines of Brazil's national defence policy, endorsed by the president in 1996, should be «*to protect Brazilian Amazonia, with the support of the whole of society and with a greater emphasis on military presence*». However, this should not constitute a serious obstacle to understanding and respecting the attitude of these peoples, who merely ask for their rights to be recognised and to live in peace and freedom in the territories they have considered their own for many centuries. Moreover, according to recent figures published by the Brazilian government, their contact with western civilisation has led to 130,000 possibly becoming infected with the AIDS virus. Some of the most conflictive regions are the headwaters of the Las Piedras river in Peru, inhabited by the Mashco-piro, threatened by Mobil, and the Colombian region of the U'wa, who refuse to allow Compañía Petrolera Occidental to enter their territory and have threatened the government to stage a mass suicide, while in Ecuador the Tagaeri will risk their lives in order to shun any type of contact.

It can thus be inferred that governments should be more sensitive to, and understanding of, the problems of the indigenous peoples and take advantage of the current atmosphere of regional co-operation to foster dialogue, in view of the impact that national social, economic and cultural policies will have on the American Indian communities, for whom the right of ownership of their lands plays an essential role. Such a measure would contribute to political stability and national security in the continent.

DRUG TRAFFICKING

It is a fact that *drug trafficking* has increased and is thriving in nations with weak governments, though other economic and social factors such as poverty, lack of culture and education have also been vital to the development of this phenomenon.

Of almost equal importance in this connection were the sharp fall in the prices of farm produce worldwide and the neo-liberal reforms which put an end to state subsidies for rural farmers over the past two decades. Thousands of farmers in Ibero-America now earn a living from growing marihuana, poppies and coca leaf as the only possible means of subsis-

tence. These crops provide farmers with net earnings from 4 to 34 times those obtained from cacao or maize, the alternative farm produce. To cite an example, according to an article recently published by *The Economist*, whereas a hectare of land planted with cacao produces a harvest worth some 400 dollars, another used to grow coca can surpass 10,000 dollars. Buyers therefore approach farmers directly, thus saving them from having to transport their produce to the market along narrow roads with worn surfaces that are difficult to negotiate. Furthermore, many drug traffickers pay in cash and in advance. Farmers are thus at the mercy of most of the drug traffickers in the subcontinent, sometimes with the blessing of paramilitary groups and even the police. These factors, together with the links between the guerrillas and drug trade, complicate even further the mix of interests in the area. Shining Path, for example, has chosen the high areas of the Peruvian valley of Huallaga as its strategic objective to control coca production in the region—ideally suited to this crop—protecting the 300,000 farmers from Mr Fujimori's crackdown on drugs and charging the drug traffickers hefty sums of money for each flight made to pick up supplies, as David Scott Palmer writes in the *Journal of Interamerican Studies and World Affairs*.

Such situations often trigger violent action from the armed forces and police operations to clamp down on the indigenous population, not as an expression of discrimination but because most of the growers of poppies, coca and marihuana in the Andean countries are Indians. Even when they are not involved in growing these crops, they nevertheless bear the brunt of the violence of paramilitary groups and drug cartels, since they find themselves drawn into disputes over lands occupied by the cartel, whether legally or otherwise. This explains why quarrels over land are the main reason for the violent clashes between indigenous and non-indigenous groups. Ethnic identity is not the initial cause of this drug-related violence and it is thus important to come up with a solution to the problem: governments must be made aware of the cultural factors involved in the violence against indigenous communities stemming from their undesired links with the drug market. Some countries have emphasised the appropriateness of cultivating alternative crops in combating the drug problem. This stance clashes with that of the United States, which advocates eradication. It is a fact that coca leaf prices have slumped considerably, owing, among other factors, to the increased consumption of synthetic drugs. However, drug trafficking continues to be crucial to the national economies, particularly in the Andean region, not only to domestic or rural economies. In Colombia,

for example, the narcotics trade accounts for almost 6 percent of the country's gross domestic product, according to the latest *Annual report by the geopolitical drug observatory*, and has come to upset its productive structure. Kevin Healy believes that the most prosperous and strongest groups of traffickers and not the farmers are the most difficult to eradicate and cites the case of Bolivia, where the drug trade amounts to 75 percent of the country's legal exports and has a greater impact on the economy than in Colombia or Peru. Healy calculates that some 500,000 indigenous farmers are involved in the coca trade, and in Bolivia, where it is legal to grow this crop for medicinal purposes, they are represented by a well-organised and politically active trade union—ANAPCOCA, the National Association of Coca Producers. While growing alternative crops is apparently the only way of freeing coca growers from their dependence on the drug market, the Colombian forest of Chaparare, where most coca leaf is grown and where farmers from the whole of the country have emigrated in search of farm land, is a tropical forest unsuitable for traditional and commercial agriculture. Given the shortage of opportunities in other parts of the country for the over 800,000 families who live in Chaparare, the situation is unlikely to change in the near future.

But drug trafficking and its capacity to corrupt influences life in many of the Ibero-American nations in a different and equally important manner. Major state institutions and even senior officials responsible for the fight against drugs have fallen only too readily under its sway. The drug mafia have thus corrupted politicians, commanders of the armed forces, high-ranking officials in charge of law enforcement bodies and magistrates to such a dangerous degree that this scourge is currently one of the most serious threats to stability and security in Ibero-America. They have successfully pursued this line of penetration, adapting to new anti-drug tactics, specifically splitting away from the major cartels into independent bands or groups and processing their own cocaine using new technologies. As a result, it is now even more difficult to dismantle them.

The substantial financial resources generated from drug trafficking enable those who pull the strings to offer armed bands large sums of money in exchange for protection. This has led certain guerrilla and paramilitary groups to involve themselves in the drug market and means that it is necessary to examine in depth the political and social links between drug traffickers, paramilitary organisations and guerrillas, which undermine the internal stability of many Ibero-American countries. It is thus logical that clamping down on the drug market is not an attractive task for the

armed forces, particularly at a time when some countries are still debating the role of the military in a democratic society and their subordination to civilian authorities. The army is keen to preserve its legal and constitutional role of defending and seeing to the external security of the nation. However, since drug trafficking is now becoming a global threat to Ibero-America as a whole, from Colombia and Peru to Mexico, and is spreading to Brazil, Argentina and Venezuela, it is natural that the armed forces should consider what their scope of action should be in combating drugs. What do they stand to gain in this field? In principle, it would seem logical for their budgets—which have been heavily slashed in recent years—to be increased in order to equip them with cutting-edge technology and to ensure appropriate action.

However, the forces consider that, irrespective of these or other possible advantages, there are major drawbacks and risks, the most serious being the possible corruption and being obliged to intervene in keeping public order. Such duties could lead them to take on a somewhat repressive role which they happily shed with the advent of democracy. Perhaps the task of the armed forces in combating drugs could be exclusively to provide operational and logistic support to the law enforcement bodies, carrying out intelligence and surveillance missions, training in counter-guerrilla tactics, analysing and studying material that is seized, controlling the border and translating documents confiscated or recordings of phone tapping and intercepted telecommunications, though it would be necessary to define clearly the boundaries between surveillance and intelligence tasks regarding drug trafficking and other issues relating to internal political and social affairs.

In the so-called Guayaquil Declaration signed after the closing ceremony of the 10th Andean Presidential Council on 5 April 1998, the presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela stated that combating drug trafficking is one of the areas of regional co-operation which, despite variations from nation to nation, affects all of them in the same way. The document points out that the fight against drugs should be conducted multilaterally and not through unilateral initiatives that can affect relations between states. It likewise stresses that «the fight against the production, trafficking, distribution and improper use of psychotropic substances and related crimes» should be in keeping with the principles of international law and with full respect for sovereignty and territorial integrity.

It is thus not surprising that Ibero-American politicians and military should be deeply divided over this complex problem and that the United States' position should be difficult and contradictory, for the armed forces are urged, on the one hand, to become involved in cracking down on drug trafficking, yet also to commit themselves to democracy and the defence of human rights. One of the chief aims of the Ibero-American nations in combating the drug problem, the end of the United States' unilateral certification, was achieved at the second Summit of the Americas held in Santiago de Chile in mid-April 1998. It was agreed that it would thenceforth fall to the Inter-American Commission for Drug Control and Abuse, CICAD, to establish a single, multilateral process of governmental assessment to monitor the individual and collective progress of the countries taking part in the summits addressing the problem. It was also agreed at Santiago to set up a multinational counter-narcotics centre in Panama, in keeping with Washington's plan to establish it at Howard Air Base in the Canal zone, where Ibero-American military and police commanders and agents can be trained under US authority. However, this plan is aimed at conserving the United States' strategic position in the Canal, while enabling reconnaissance flights to be carried out without having to refuel the craft in the air. Meanwhile, the problem remains, with a growing threat that has now taken on hemispheric dimensions.

BORDER DISPUTES

Though somewhat slow, in 1998 the Ibero-American nations continued to make notable progress in solving the *border disputes* which have largely arisen from the arms race the region has witnessed in recent decades. The most serious of these conflicts involves Ecuador and Peru, which dispute the ownership of a 68-kilometre strip of land around the river Zenepa which had not been demarcated. The most critical moment was in January 1995 when an armed clash broke out, though it was stopped thanks to the mediation of the four guarantors of the Protocol of Rio, which deployed a Mission of Military Observers in Ecuador and Peru (MOMEPE) made up of representatives from Argentina, Brazil, Chile, Paraguay and Uruguay. When the war erupted between Ecuador and Peru in 1995, what had been a remote possibility of an armed conflict between these two Ibero-American nations became a sad and bitter reality, particularly for the thousands of Indians living on each side of the border, who bore the brunt of months of violent fighting between the armed forces of the two countries. The

Shuar community, 8,000 of whom were forced to evacuate the area, were the most seriously affected. By mid-August 1998 headway had been made in the peace talks and Ecuador had withdrawn its territorial claims, while Peru had agreed that neither of the two adversaries could veto the mediators' proposals. In the opinion of Bruce St. John, who has written about Peru's foreign policy, these proposals offered the best chances of achieving a permanent solution that would prevent either of the two countries embarking on an absurd and unnecessary rearmament. In any event, finding a solution to the conflict did not promise to be an easy task, since the disputed area is rich in oil resources and was used by the Ecuadorian military as a source of currency in the 80s. According to Donna Lee Van Cott, retired Ecuadorian officers currently own vast areas of land in the Amazon and have benefited from oil production. This explains the widespread militarisation of the region, which has a very dense indigenous population. During the summer, the two countries set about closing down the seven border bases located in that part of the Condor mountain range, as well as separating forces from the disputed area, under surveillance of the MOMEF. Later, during the 12th summit of the Rio Group at the beginning of September, presidents Fujimori and Mahuad held a long meeting in the city of Panama to speed up the peace process, announcing that a further meeting would be held in Brasilia, co-ordinated by Brazilian president Henrique Cardoso, in an attempt to find a definitive solution to the dispute. The two sides undertook to carry out binational investments in welfare and infrastructure in the area amounting to 3 billion dollars. As a result of the meeting in the Brazilian capital, on 16 October the Peruvian and Ecuadorian parliaments approved by a large majority the border line proposal agreed by the four guarantors—Argentina, Brazil, Chile and the United States—, thus settling one of the most serious and trickiest disputes in Ibero-America. Weeks later, in Rio de Janeiro on 26 October, Ecuadorian president Jamil Mahuad and his Peruvian counterpart Alberto Fujimori signed the peace agreement putting an end to 170 years of disputes, 56 years of negotiations and three of armed clashes between the two sides. The peace accord was signed in the presence of the presidents of Argentina, Brazil and Chile and a representative of the United States, since these four countries were the guarantors of the treaty, and also two special guests, the King and Queen of Spain, whom president Carlos Henrique Cardoso described as «the greatest symbol of the admirable Ibero-American heritage». Also present was the cardinal prefect of the Clerical Congregation, John Paul II's special envoy. The peace accord, to be called the Brasilia Act, recognises Peru's sovereignty of the disputed area (a 220-

kilometre strip of land, including some 78 kilometres of border) in the heart of Amazonia, while Ecuador will have sovereignty over one square metre of land, where a monument will be erected in memory of the soldiers who died during the conflict.

Colombia and Venezuela continue to quarrel over the limits of territorial waters in the Gulf of Venezuela, mainly because the area has large oil reserves. So far, the dispute has not become as serious as the one between Ecuador and Peru, because the countries meet regularly to study a satisfactory solution. Furthermore, Colombia's armaments policy is mainly aimed at purchasing helicopters that will enable it to address successfully the problem of the guerrillas and drug traffickers, rather than costly up-to-date combat craft or modern battleships. However, tense situations sometimes arise between the two countries when, in their pursuit of guerrilla groups and drug traffickers, the Colombian forces are almost obliged to penetrate Venezuelan territory.

At the same time, Venezuela continues to claim territory from Guyana, particularly the region to the west of the Essequivo river, though in a less intimidatory manner than in recent years, while Nicaragua insistently quarrels with Colombia over the ownership of the San Andrés archipelago.

Clive Schofield, assistant director of the International Boundaries Research Unit at Durham University in Britain, believes that these disputes are highly unlikely to develop into armed conflicts and cites as an example Bolivia's wish for access to the Pacific as a result of its loss of the Atacama region following defeat by Chile in 1884. In order to find a satisfactory compromise solution, the two nations have set up a permanent bilateral commission to study how goods and Bolivian trade could be transported across Chilean territory to the coast, though the Chilean authorities maintain that this strip of land is, and will always be, under their control and sovereignty. As Schofield says, it would otherwise be comparable to Mexico demanding to be given back California. Another example of how a potential conflict is defused is the dispute between Argentina and Chile, which is approaching a satisfactory outcome thanks to the talks and negotiations. According to analyst Patrice Franko, an expert in Ibero-American affairs at Colby College in Maine (US), before the advent of democracy Chile and Argentina were engaged in 28 different border disputes; now there is just one over a 13-kilometre stretch of land between the two countries. Although neither of the two national parliaments has yet approved the settlement of this latter issue, the analyst underlines the good will

of the two governments in reducing the tension and pacifying the Southern Cone.

Argentina, for its part, continues to claim the Falkland (Malvinas) Islands, the South Sandwich Islands and South Georgia, though following the armed conflict with Britain it has decided to file a request with international organisations and use diplomatic channels, renouncing the use of force. Some other differences remain, but these are of lesser importance, though the more nationalist sectors attempt to fuel the tension from time to time. This is the case of certain aims harboured by Bolivia, Chile and Peru in small border areas or the traditional suspicion between Bolivia and Paraguay, though the latter stems more from the spectre of the Chaco war of the thirties than from real claims. It could be said that these border conflicts and disputes, which have been a serious threat to peace and security in Ibero-America, continue to have the potential to endanger stability in the area, but with the emergence of forums for consultation and negotiation and the establishment of intraregional economic alliances it is hoped that the possible crises that could erupt will be steered towards peaceful solutions.

THE HERALDED ARMAMENTS RACE HAS NOT OCCURRED

In early July 1998, sources at the United States department of state confirmed that, despite the predictions of specialist analysts, there was no indication of an armaments race having begun in Ibero-America following the lifting in summer 1997 of the embargo established twenty years earlier by president Carter.

Leading international authorities had spoken out against lifting the embargo, fearing that rearmament in the region would lead to an increase in poverty and a fall in the standard of living of its inhabitants. Among them was former Costa Rican president and 1987 Nobel peace prize winner Oscar Arias, who has devoted much of his public activity to promoting an international code of ethics governing the sale of arms and who, together with other people and institutions awarded the Nobel prize for peace, expounded the contents of this code in New York in 1996, hoping it would be adopted by the United Nations.

In 1998, Oscar Arias reasserted his position in an article in the Spanish daily *El Mundo*, warning that although Ibero-America has been the region to disarm the most following the cold war, this should not be used as jus-

tification for acquiring technologically advanced weapons capable of unleashing a tiresome arms race. The previous year, in Atlanta, the Costa Rican politician had proposed a two-year moratorium on the purchase of modern weapons systems; the period should be used to negotiate a treaty whereby the governments of the region would undertake to ban weapons of this kind permanently from their territories. He likewise complained that there are still excessively large arsenals and contingents in the subcontinent, the maintenance of which regrettably eats up resources that could be allocated to other more basic needs, going on to accuse arms deals of being a source of corruption and contracts signed under political pressure from the selling countries.

In a report submitted to the United States Congress on 25 June 1998, the department of state declared that only some Ibero-American countries were modernising their practically obsolete weapons systems and that the very few which were carrying out replacements were doing so on a «less

THE DEFENCE EFFORT IN IBERO-AMERICA

	Defence budget (constant prices)						Armed forces (thousands)	
	<i>Total</i> (thousands of dollars)		<i>Per capita</i>		<i>% of GDP</i>			
	1985	1998	1985	1998	1985	1998	1985	1998
Cuba	2,275	700	225	62	9.6	3.2	162	55
Dominican R.	75	72	11	9	1.1	1.0	22.2	24.5
Costa Rica	40	70	16	19	0.7	0.8	(param.)	8.4
El Salvador	360	90	75	15	4.4	1.0	41.7	24.6
Guatemala	168	140	21	12	1.8	1.1	31.7	31.4
Honduras	195	35	23	5	5.1	0.8	16.6	18.3
Nicaragua	315	30	96	6	17.4	1.2	62.9	17.0
Panama	130	125	59	44	1.8	1.4	(param.)	11.8
Argentina	5,160	3,500	169	99	3.8	1.1	108.0	73.0
Bolivia	180	185	28	21	2.0	2.0	27.6	33.5
Brazil	3,350	14,200	25	84	0.8	2.4	276.0	313.25
Colombia	605	2,700	21	74	1.6	3.5	66.2	146.3
Chile	1,770	2,100	147	142	3.8	2.7	101.0	94.3
Ecuador	405	575	43	46	1.8	2.8	42.5	57.1
Mexico	1,770	2,300	22	24	0.7	0.9	129.1	175.0
Paraguay	85	110	23	20	1.3	1.2	14.4	20.2
Peru	915	840	49	34	2.5	1.4	128.0	125.0
Uruguay	340	325	113	100	2.5	2.4	31.9	25.6
Venezuela	1,175	1,300	68	56	2.1	1.8	49.0	79.0

than one-for-one» basis, and were not necessarily increasing their power. The report went on to say that arms expenditure in the region continued to be the lowest in the world.

A special survey on defence in Ibero-America published in spring 1998 by *Defense News*, a US weekly specialising in defence policy and arms issues, confirmed the slowing down of acquisitions of new, technologically advanced weapons systems. To support its assertions, the weekly cited the example of the Argentinean aircraft carrier *Veinticinco de Mayo*, which was withdrawn from service but with no plans for replacement, meaning that the *Dassault Super Etendard* aircraft would have to operate from ground bases in the future. The evolution of the defence effort is shown in the chart, which compares 1985 figures with those of 1998. The two notable exceptions are Brazil and Colombia. Whereas the first leads the region in relative and absolute terms of increased defence spending, the second is forced to boost its spending by the fight against guerrillas and drug trafficking. Three nations show slight increases—Ecuador (owing to the conflict with Peru), Chile, Mexico and Venezuela—whereas the biggest decreases are recorded in Argentina, Cuba, El Salvador, Honduras and Nicaragua. The evolution is more accurately expressed in terms of GDP, owing to the economic growth these countries have experienced in recent years.

The Ibero-American nations had received outdated, second-hand US weapons since the end of the second world war and the embargo imposed by president Carter forced them to modernise and update their armaments or resort to European suppliers or even Israel. This has mainly been the case of the air forces. The Argentine air force, for example, has been obliged to make do with modernising 36 surplus *A-4s* from the US navy, while Brazil and Chile are studying programmes to update their *F-5E/F* aircraft. Moreover, the sale of French fighter planes from 1977 onwards has led to the need for Argentina, Brazil, Colombia, Chile, Ecuador, Peru and Venezuela to modernise different types of *Mirage*. Peru is also modernising the *Mig-29* and *Sukhoi* acquired by its air force. The only possible exceptions regarding the acquisition of more modern aerial weapons systems are Chile and Ecuador. In the former, the withdrawal from service of the 39 old *Hawker Hunter* planes requires the Chilean air force to replace them and it seemed to be trying to make up its mind whether to buy just 12 second hand US *F-16s* or *F-18s*, French *Mirage 2000s* or Swedish *Jas-39 Gripens*, as it emerged from the exhibition by those planes at the Chilean international air and space fair (FIDAE) in 1998. However, in June the Chi-

lean government cancelled the replacement project. In the case of Ecuador, the military clash with Peru in 1995 could lead Ecuador to boost its air arsenal, possibly with *Mig-29* aircraft. Likewise, the Ibero-American navies, traditionally equipped with old US cruisers, destroyers and submarines, set about replacing them in the late 80s and early 90s with European vessels, mainly from Germany and Italy and also France and Spain. But they are no longer satisfied with second-hand ships, despite their limited budgets; they prefer to have fewer but more modern and powerful vessels and in the case of Argentina, Brazil and Chile, the purchase should include industrial compensation and the transfer of new technologies.

Many commentators see a second interpretation of the lifting of the US embargo—an outlet for what became surplus arms reserves in the wake of the cold war, especially as the recent Asian crisis has halted those countries' arms purchases and the European defence industry is gaining ground in a traditionally US market. However, given the current economic situation of the region, extraordinary expenditure on modernising and strengthening the armed forces is unlikely to be witnessed, except for in countries that need to be able to keep up with the new technologies of the drug traffickers, though under no circumstances should this entail the start of an arms race.

SOCIO-ECONOMIC ASPECTS

The annual report of the aforementioned 39th annual assembly of governors of the Inter-American Development Bank in March 1998 noted with great satisfaction that Ibero-America had recorded substantial economic growth in 1997 and unemployment had fallen. The region's economic growth amounted to 5.2 percent, the second highest figure since 1980, owing largely to the rapid growth in Argentina and Mexico—the regional driving forces—whose real gross domestic product rose by 7.8 percent and 7.1 percent respectively. The Dominican Republic, with 7 percent, also witnessed a considerable upswing, as did Peru. Brazil's economy grew by 3.5 percent as compared to 3 percent in 1996, as a result of the monetary and credit measures adopted by the authorities to prevent the internal imbalances from worsening. Economic growth increased in 10 countries and amounted to over 4 percent in 14, though it was under 3 percent in Costa Rica. For its part, the much-feared «Asian flu» caused only a slight relapse in the area.

According to the IADB report, unemployment fell in Ibero-America for the first time since 1988 owing to the economic recovery. This was particularly marked in Argentina, where the percentage of jobless dropped from 18 percent during the 1995 recession to under 14 percent in the second half of 1997. Unemployment in Mexico fell from 6.3 to 3.2 percent during the same period, and a further seven countries recorded decreases, albeit less sharp.

Real investments grew steadily in most of the region at an average of over 10 percent, and at an outstanding 26 percent in Argentina and 20 percent in Ecuador, Mexico and the Dominican Republic. The countries also boosted their exports considerably, with increases of around 10 percent at constant prices and 12 percent in dollars. This upsurge in economic activity and demand led to a rapid growth in imports, pushing the region's current account deficit up. Inflation continued to drop in 1997, reaching an average of 11 percent, though it remained at a considerable 35 percent in Venezuela, while the Dominican Republic and Ecuador—where it remained at over 10 percent—also showed an inflationist trend.

However, these favourable economic conditions will not be the same in 1998. Indeed, the most optimistic would settle for an average growth of between 2.5 and 3 percent in Ibero-America. According to the IADB's chief economist, Ricardo Hausmann, the main causes for this downturn are the «Asian flu» or «sake effect», the crisis of the rouble, the fall in the prices of basic goods in the region (oil, pulp, paper, copper ...) and a possible economic slowdown worldwide. In this connection, it should be borne in mind that raw materials prices account for 2.6 percent of Brazil's GDP, 17.6 percent of Chile's, 19.1 percent of Ecuador's and 21.9 percent of Venezuela's. In any event, Hausmann reckons that the storm will soon blow over, and it is necessary to consider the region's economic prospects in the long term. If this is done, according to this economist, the increase in investments, the relatively strict fiscal policy, the continuation of structural reforms and the recent fall in unemployment should be cause for optimism. Enrique Iglesias, the president of the IADB, has recalled that the first and most essential thing is for politicians and society to reach a consensus and complement the economic reforms with labour reforms; invest more money in human resources and boost workers' productivity and wages; improve social security schemes; adopt special measures to support women and indigenous communities; promote small and medium-sized enterprises; and, above all, overcome social inequality, poverty and violence.

In 1994 the economic crisis in Mexico, also known as the «tequila effect», dragged the growth rate of Ibero-America's GDP down from 5.7 percent to 0.8 percent in 1995. This gives greater grounds for fearing that the weakness of the Asian economies—particularly that of Japan—and the situation of the rouble may have more negative consequences than initially assumed. As always, the measures adopted to counter or mitigate these effects will be detrimental to the most underprivileged social classes. Indeed, the effects of those applied in late 1997 at the start of the Asian crisis to prevent the flight of capital, such as raising interest rates and greater fiscal stringency are already being felt. As vice-president Nancy Bird-sall of the IADB warns, a tax on short-term capital movements should be established to prevent the flight of funds from Ibero-America earlier this decade from reoccurring, as this would undoubtedly have negative effects on the region's growth and social goals.

However, at the end of August 1998, the economic crisis in Japan and the emerging Asian countries, the worsening of the situation in Indonesia and, in particular, the collapse of the rouble caused the world stock markets to plummet. This downswing was especially marked in the Ibero-American markets owing to rumours of possible cascading devaluation of the currencies of Venezuela, Brazil, Mexico and even Chile, and further confirmed the global nature of the economy. With the exception of Mexico, all the countries' exchange-rate systems are tied to the dollar. This can give rise to sharp devaluation and entails both major risks for investors and considerable opportunities for speculators. Therefore, on 3 September, the director of the International Monetary Fund, Michel Camdessus, called a meeting of the finance ministers of the nine biggest Ibero-American republics to analyse the situation of the region and provide backing from the multilateral organisation in order to restore international confidence in the regional economies. Following two days of talks between the directors of the IMF, the Inter-American Development Bank and the World Bank and the finance ministers of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela, the international financial and monetary authorities pledged their support for the structural reforms carried out by those countries, expressed their confidence that they would continue to record positive growth and low inflation rates and asked the world financial markets to distinguish clearly between the Asian and Russian crises and the current situation in Ibero-America. Even so, during the meeting, the international credit rating agencies made downward adjustments to the ratings of Argentina, Brazil, Mexico and Venezuela. This spar-

ked harsh criticism from the finance ministers of those nations, who accused the organisations of acting against the Ibero-American economies and banks, reminding them that the main states in the region are underpinned by sound macroeconomic foundations and historically high levels of international reserves to protect their currencies. However, the consequences of the economic shambles in Russia and Asia have taken their toll, as stated by the executive secretary of the Economic Commission for Ibero-America (Cepal), José Antonio Ocampo, who has forecast that the

THE IBERO-AMERICAN ECONOMY (source: IMF)

	GDP		CPI	
	1997	1998	1997	1998
Argentina	8.6	5.0	0.8	1.3
Brazil	3.2	1.5	7.9	5.0
Chile	7.1	4.5	6.1	5.4
Colombia	3.1	2.7	18.5	19.5
Dominican Rep.	8.1	6.0	8.3	5.0
Ecuador	3.4	1.5	30.6	33.6
Guatemala	4.1	4.5	9.2	6.5
Mexico	7.0	4.5	20.6	15.3
Peru	7.2	3.0	8.5	7.5
Uruguay	5.1	4.0	19.8	10.2
Venezuela	5.1	- 2.5	50.0	37.0

region's economic growth for 1998 will be down to between 2 and 3 per cent as opposed to the 7 or 8 percent needed to ensure sustained growth. The growth forecasts to 1998 year-end, according to *The Economist Intelligence Unit*, put Argentina in the lead, with an increase of between 4.6 and 5.1 percent, followed by Chile, estimated between 4.1 and 5.1 percent, and Mexico with 4.3 percent. Of the countries belonging to different economic blocs (Andean Pact, Mercosur and Central American Market), Argentina also has the highest per capita income with 6,910 dollars, while Bolivia, with 911, has the lowest. However, Argentina also tops the list in terms of growth in the number of poor persons. According to the United Nations Development Programme (UNDP), the percentage of Argentinians living in dire poverty has risen from 7 to 19 percent in recent years, followed by Peru, where the incidence has risen from 26 to 34 percent, and Paraguay, whose figure is up from 53 to 60 percent.

In the field of interregional co-operation, the aforementioned 10th Andean Presidential Council approved the commitment to set up a com-

mon market and strengthen relations with other supranational blocs. By signing the Guayaquil Act or Declaration, the Andean presidents aim to embark on a new stage in boosting their internal cohesion, which could lead them to totally deregulate their markets. The Act defines the mechanisms for giving impetus to the integration of the five nations and for orienting them towards other trade blocs such as the European Union, with which their relations are described as a model for links between blocs. At the meeting the general framework was agreed on for setting up a free trade area with Panama and time scales for implementing the free movement of persons were set.

These states also decided to join forces to combat the effects of the *El Niño* meteorological phenomenon, displaying a spirit of integration, since Ecuador and Peru are the worst hit. However, environmental issues were not addressed, nor was the subject of foreign debt raised. The Andean Community, which emerged 29 years ago, has gone through bad periods of disunity and isolation, but it appears now to have laid solid foundations for facing the challenges of the 21st century. Arrangements have already been made to hold the 1999 Andean Summit in the Colombian city of Cartagena de Indias.

A few days later, on 16 April, the two major South American economic blocs, *Mercosur* (Argentina, Brazil, Paraguay and Uruguay) and *Can* (Bolivia, Colombia, Ecuador, Peru and Venezuela) signed an agreement in Buenos Aires to lift all the customs barriers between them from 2000. The agreement was signed by the foreign and trade ministers of the countries from the two groups, whose population totals 300 million. The GDP of this future Ibero-American free trade zone is equivalent to 13 percent of the whole of the continent, including Canada and the United States. Mercosur and the Andean Community of Nations underlined their wish to negotiate as a single bloc the shaping of the Free Trade Area of the Americas (FTAA), on the agenda of the 2nd Summit of the Americas which began in Chile two days later. Two stages of negotiations should facilitate the setting in motion of a programme to gradually reduce tariffs on all customs-listed products as from 1 January 2000. These negotiations will be conducted with the commitment to promote free competition and reject restrictive trade practices. In 1997, the volume of trade between the two blocs approached 4 billion dollars, with a balance of 30 million in favour of the Andean club. Mean-while, Chile, which does not belong to either group, signed three separate agreements at the 2nd Summit of the Americas: one with Mexico, another with five Central American countries and one with

Mercosur, in order to speed up the process of integration towards the creation of the FTAA.

THE SECOND SUMMIT OF THE AMERICAS

In mid-March the ministers of 34 American countries met in San José, Costa Rica, to confirm the so-called Free Trade Area of the Americas, FTAA, which was to be given a substantial boost at the 2nd Summit of the Americas in Santiago de Chile the following month. But at San José the differences between these countries regarding the integration programme came to light. Whereas the United States appears to focus on issues such as intellectual property, Bolivia, Chile and the four Mercosur countries regard the lifting of tariffs and free access to markets as being more important. It was agreed that Miami would become the first headquarters of the future Pan-American market from 2005, while the capital and presidency of the association would be arranged on a rotating basis every two years, and Miami would eventually hand over to Panama and Panama, in turn, to Mexico. In this connection, Canada will initially hold the presidency, which will then go to Argentina and Ecuador.

The 2nd Summit of the Americas took place from 18 to 19 April and was attended by the heads of state or government of the 34 nations except for Cuba. The agenda included what have been termed *second-generation reforms*: access of all sectors of the population to education, poverty eradication, the fight against drug trafficking, terrorism, corruption, defence of independent justice, democracy and economic deregulation.

The United States, which had promoted the creation of this forum by organising the first summit in Miami in 1994, considered that it continues to play a leading role in the continent and that its relations with the rest of America are the best they have been for a decade, despite the lack of agreement over Cuba and the difficulties in implementing the economic integration designed to create the biggest free trade zone in the world, with a market of almost 800 million consumers. But the United States arrived at this second summit in a weak position, for the US Congress had repeatedly failed to grant President Clinton fast-track authority to negotiate the setting up of the Free Trade Area of the Americas. In the absence of fast-track, the United States was unable to sign new free trade agreements, such as one with Chile. This gave rise to talk of a new «Santiago consensus» to replace the old «Washington consensus» and pointed to a

new period in relations between Ibero-America and its powerful northern neighbour. These new relations are characterised by equality and evidence the will of the Ibero-American nations to negotiate as a bloc rather than bilaterally—as has always favoured Washington. Should this situation materialise, the United States will have lost its chance to achieve integration through the progressive incorporation of individual states into NAFTA. Contrasting with the weakened role of the United States is the emerging attitude of Canada, which had hitherto centred its interests on Europe.

But there is a further cause of persisting differences between Ibero-America and the United States—the issue of Cuba. Washington is against Cuba attending the Summits of the Americas and being a full member of the Organization of American States unless it becomes a democracy. This stance contrasts with that of other nations such as Peru, whose President Fujimori stated that «it is not right that a country which in no way represents a threat to the continent should suffer the consequences of an embargo that does not affect the government but rather ten millions of Cubans». Similar statements were made by other leaders, though they did require Fidel Castro to meet certain conditions such as releasing political prisoners and moving towards a democratic system. Some nations did not voice their opinion about relations with Cuba, though their support is well known. But the problem worsened when it was announced that the Canadian prime minister was going to travel to Cuba the week after the summit. Several nations likewise expressed their intention of inviting Cuba to attend the next meeting in Ottawa in four years' time.

During the closing ceremony it was agreed to continue to promote the Free Trade Agreement of the Americas and what is known as the *Santiago Action Plan and Declaration* was drawn up. Despite its 170 points, many aspects of the action plan lack clear objectives, resources and suitable follow-up mechanisms and a number of specialists believe it contains many more initiatives than the Inter-American system can seriously take on. The document starts by expressing a clear commitment to defending democracy and broadening its areas, though there is no democratic clause concerning the future of the FTAA as in the European Union, Mercosur and OAS treaties. Other important points refer to poverty eradication, education and human rights, for which the World Bank, the Inter-American Development Bank and the United States department of development assistance provide 45 billion dollars in loans. It is proposed that by 2000 all children on the continent have access to basic education and three out of four adolescents to secondary education, and that a con-

siderable number of the 50 million small and medium-sized enterprises have access to better banking conditions in 2000, as well as improvements in health and nutrition. The plan aims to achieve a legal framework for gender equality by 2002 and to promote measures to combat trafficking in minors, child prostitution and pornography, and a commitment to modernise the legal system and ensure the rights of emigrants.

One of the most debated issues was the fight against drugs. As mentioned earlier, it was agreed to put an end to the unilateral certification required by the United States, as was the need to combat corrupt practices involving moneys seized from mafia and from drug traffickers, and a second specialised Inter-American Conference was convened to evaluate anti-terrorist efforts. Another issue addressed was the media, since in the past two years some two hundred journalists have been murdered in the region. To this end, it was agreed to create an agency to control the free exercise of journalism and to monitor the situation. A revision group of foreign ministers was set up to monitor the implementation of the summits, and is to meet twice or three times a year. No statements were made about Cuba, though the Brazilian president called for Cuba's presence at future summits, saying, «one country is absent, it is well-developed in the education and health fields and I do not see why it should not join the democratic community». Lastly, it should be pointed out that the United States will have to change its attitude substantially by the time the next summit is held in 2002, since the Mercosur countries are continuing their talks with the European Union, the Andean community is showing greater cohesion and all, individually, are enhancing their bilateral relations.

One of the biggest surprises of the year in inter-American relations was Canada's policy towards the countries lying south of Rio Grande, as evidenced by the visit of Prime Minister Jean Chrétien to Mexico, Brazil, Argentina and Chile at the beginning of the year, followed, as mentioned earlier, by a trip to Cuba after the 2nd Summit of the Americas. At the end of 1997, the Canadian secretary of state for Latin-America, David Kilgour, stated that his country is an American country, a geographical fact which is now confirmed by history since, though it may seem obvious, Canada's political membership of the continent is very recent, dating back to 1990 when it joined the Organization of American States (OAS), the most important regional institution. The Canadian governor was accompanied on his tour by what is known as the Canada 98 Team, a diplomatic-cum-commercial mission set up a few years ago and made up of 500 business people. Indeed, back in 1995 the government of this nation described Ibero-

America as a region of particular strategic interest. This view is borne out by the increase of Canadian exports to the region in the past four years from 260 billion pesetas to 500 billion—more than German and French exports—while a further 200-billion worth of contracts are currently being negotiated. While Ottawa regards Mexico as a key customer (it is worth remembering that it belongs to NAFTA, together with the United States and Canada), a similar agreement with Chile has been in force since 1997, and it now has its sights firmly set on Mercosur. But this increase in trade relations has also benefited its foreign policy. With Ibero-American support, Canada has been able to carry through some of its projects, such as the treaty banning anti-personnel mines, the continuation of the peacekeeping force in Haiti and opposition to the Helms-Burton act penalising trade with Cuba. It was precisely Mr Chrétien's trip to Havana which unleashed the rage of Bill Clinton, who tried unsuccessfully to persuade the Canadian politician to cancel his trip to the Caribbean island. In an attempt to counteract Canada's ploy, early in May US sources released the information that the sum total of the United States' investments in Ibero-America amounted to 76.4 billion dollars—almost 11 trillion pesetas—according to the figures supplied by the Federal Reserve.

THE 8TH IBERO-AMERICAN SUMMIT

Unlike previous years, the agenda of the 8th Ibero-American Summit held in the Portuguese city of Oporto from 17-18 October was slimmed down, the main novel feature being the elimination of the traditional addresses given by the twenty three participating heads of state and government, which made the working sessions somewhat impractical. This measure facilitated contacts between the leaders and allowed more bilateral talks, translating into a shorter and more incisive final document with greater political impact. This new format was also more in line with the spirit and goals of these summits.

Similarly, Spain's endeavour to make the summits more agile and operative, permitting a more detailed follow-up to the development projects approved at these meetings, turned out to be fully effective with the setting up of a permanent secretariat for co-operation. This has not entailed the disappearance of the «pro tempore» secretariat made up of representatives of the country holding the presidency that particular year and those of the preceding and successive presidencies. Spain is in favour of affording the secretariat considerable political weight and therefore belie-

ves it should be headed by a person of repute who has held high office in an Iberian or Ibero-American nation.

The Oporto Declaration, referring to «*the challenges of globalisation and regional integration*», underlines the setting up of a secretariat for co-operation, as mentioned earlier, whose structure and working will be proposed by the Iberian and Ibero-American officials responsible for co-operation and co-ordination and submitted during the 9th Summit to be held in Havana in 1999. The document reiterates «the commitment to strengthen democratic institutions, political pluralism, the rule of law and respect for human rights and fundamental freedoms», and it should be stressed that it was signed by Fidel Castro, even though his regime does not guarantee right of meeting or association and Cuba has over three hundred political prisoners. The second section of the Declaration enshrines «the principles of sovereignty and non-intervention and the right of each people to build its political system in peace, stability and justice» and the existence of «a fair system of co-operation and international relations». It likewise points out that «the action of our governments should be aimed at the pursuit of social justice, raising the standard of living in societies, the promotion of policies to support the most vulnerable sectors and the strengthening of international co-operation». It also underlines the need «for the international community and in particular the G7 countries and financial organisations to adopt more effective measures» that are conducive to the stability of agreements for lasting economic growth and calls for states to assist each other, whether bilaterally or through international organisations, as well as appealing for solidarity in areas such as the renegotiation of external debt or initiatives to eliminate anti-personnel mines in Central America.

Section eight of the document emphasises that «international coexistence requires respect for the principles and standards of international law, for the United Nations Charter and for the sovereignty of states. Therefore, we Ibero-American countries flatly reject the extraterritorial application of national laws. In this connection, we reiterate our appeal to the government of the United States of America to put an end to the application of the Helms-Burton act». The clarity and forcefulness of this requirement is considered a triumph of Fidel Castro and also a concession, since in 1999 the 9th Ibero-American Summit will be held in Cuba. The Ibero-American statesmen pledged their support for the International Criminal Court and underlined «the gravity of the drugs problem, in that it has a deeply harmful effect on individuals and societies and a negative influence on the wor-

king of democratic institutions and economies», launching an appeal for the development of suitable co-ordination mechanisms to deal with the destruction of nature and the growing degradation of ecosystems, judicial co-operation and the fight against corruption, terrorism and organised crime.

Section 12 of the declaration underlines that the European Union-Ibero-American and Caribbean Summit, to be held in Rio de Janeiro in June 1999, is of paramount importance, defining the role of regional integration in a globalised world and support for regional initiatives. It likewise states the need to «step up bilateral and multilateral co-operation in the fields of culture and education» and appeals for «support for the co-operation programmes and projects approved by the successive summits, in order that they contribute to promoting an Ibero-American area». Two collateral achievements enhanced the overall success of the Oporto summit—the announcement of the solution to the border disagreement between Ecuador and Peru and the firm and unconditional backing of the newly-elected president of Colombia, Andrés Pastrana, for the peace process he began after coming to power in August 1998.

The Summit was particularly successful for the president of the Spanish government, José María Aznar, who reiterated our country's commitment to the Ibero-American countries and our wish to support them at all the forums so that they overcome the financial crisis for which they are not considered to be responsible. The Spanish premier pointed out that the international economic situation should not be grounds for shifting away from the economic model based on deregulation, stability and competitiveness and expressed the need to re-establish Ibero-America's normal access to the capital markets. He informed of his government's decision to contribute 3 billion dollars to new financial-support initiatives that the IMF could carry out in Ibero-America and stated that he would raise the need for solidarity with Ibero-America at the European Council meeting to be held a week later in the Austrian town of Pörtlach. Furthermore, the summit evidenced the favourable situation of Spanish-Cuban relations, which led to meetings of the King and José María Aznar with Fidel Castro, during which the visit of the King and Queen of Spain in spring 1999 before the 9th Ibero-American Summit in Havana was addressed.

Despite the spirit of understanding which prevailed and the success of the Summit, the atmosphere was clouded by the decision of Spanish judge Baltasar Garzón to request the indictment of former Chilean presi-

dent general Augusto Pinochet, currently a life senator of his country, who at the time was in London recovering from an operation. The impact of the news cast a shadow over the prominence and image of the 8th Ibero-American Summit.

THE IBERO-AMERICAN NATIONS

For *Central America*, 1998 will be a hard year to forget due to the disaster and desolation caused by Hurricane Mitch, the second most destructive to ravage the zone in this century. The hurricane, which devastated El Salvador, Guatemala, Honduras and Nicaragua, particularly vented its fury on the two latter countries, causing a death toll that may have surpassed 20,000. Added to the tragedy of the human losses was the grave damage done to infrastructure, agriculture, housing, industries and services in the region, specialists estimating that the devastation has set both countries back some twenty years. When initial reports underlined the magnitude of the catastrophe, the international community, particularly Spain and the countries of the European Union, responded in solidarity. Official as well as NGO aid to these nations has reached impressive levels: practically the entire debt of the countries affected has been written off by most EU members and the Union has approved a thorough reconstruction plan. It is worth remembering that, according to the World Bank, El Salvador, Guatemala, Honduras, and Nicaragua owe the world a combined debt of 17 billion dollars.

Before the tragedy, Central American life had been quite eventful, particularly noteworthy being the start up of the Central American Armed Forces Conference, CFAC, which had been instituted at the end of November 1997 by the presidents of El Salvador, Guatemala, Honduras, and Nicaragua. The conference has as its objectives military integration and co-operation in the region, the drafting of sets of regulations to unify procedures in the fields of logistics, education and instruction, intelligence, and other areas of military practice. In the field of defence, during 1998 the programmes aimed at reducing the numbers of troops in the zone continued to be carried out by the majority of the Ibero-American nations. In *El Salvador* troops have been reduced to 24,600, in *Guatemala* to 31,400, and in *Honduras* to 18,300, while *Nicaragua* has continued to maintain 17,000 soldiers in the aftermath of the civil war ended in 1991, when the number of persons enlisted in its armed forces stood at close to 70,000. *Costa Rica* and *Panama* have no armed forces; the former has slightly increased

the number of its security forces by 1,400, while no change at all has taken place in Panama, which maintains the same level of 11,800 security forces that it had in 1997. These last two countries have been the only ones in the region to have boosted their security budgets, the former upping its to 70 million dollars (a 20% increase over the previous year) and the latter to 125 million, which represents 10% more than in 1997. The need to achieve a lasting peace following the turbulent years of the previous decade has led these nations to make significant reductions in the size of their armed forces, but in view of the spectacular rise in organised crime—something almost corollary in societies that have undergone strife—this demobilisation is perhaps being carried out too rapidly since it affects all of them and particularly El Salvador and Colombia.

As regards domestic affairs, newsworthy events were the people's choice of Christian Socialist Miguel Angel Rodríguez as the new president of *Costa Rica* in elections that took place without incident on 1 February and his induction, which was attended by the Prince of Asturias. 9 February marked the commencement of the 14th edition of the San José Group to foster dialogue between the European Union and the six Central American nations. Nonetheless, life in *Guatemala* was profoundly shaken by the assassination of Archbishop Juan Gerardi, creator of his country's office of Human Rights. In the international sphere, on 27 January the government announced the normalisation of relations with Cuba. In like measure, violence rocked *Honduras*, where Orlando Fúnez, leader of the main opposition party and former minister of co-ordination, planning, and budgeting under ex-president Rafael Callejas, was assassinated in the streets of Tegucigalpa. At the end of January, Carlos Roberto Flores assumed the presidency, and his investiture was also attended by the Prince of Asturias. In *Panama* President Ernesto Balladares won the referendum on 30 August enabling him to stand for immediate re-election. In mid-February, 23 foreign ministers attended the 8th meeting of the Rio Group and the EU. In the field of regional economic and political co-operation, it must be remembered that it was the Rio Group's 12th summit, held in early September 1998, that facilitated the rapprochement between Ecuador and Peru, which in turn led to the peace treaty between the two nations.

As ventured in last year's «*Strategic Panorama*», Pope John Paul II's visit to **Cuba** has to be considered the most important event to take place in 1998 on the Caribbean island. His Holiness's visit, from 21-25 January, turned Cuba into a centre of world attention and a hot spot for the international media. Some five thousand journalists bore witness to the warm

welcome offered the pontiff, whether Christians, *santeros* (adherents of a Caribbean religion of African origin), or self-proclaimed atheist revolutionaries. The fact that prior to the papal visit the cardinal archbishop of Havana, Monsignor Ortega y Alamino, (who at the end of the 1970s was sentenced to ten years of field labour with the Military Units for Aiding Production), was able, free of shackles and restrictions, to address the entire nation over Cuban television after 39 years of total censorship was an indication that things would no longer be the same after John Paul II's arrival. The affection and respect Fidel Castro showed the pontiff seemed to indicate a certain friendly reciprocity, though the Cuban leader's welcoming speech at the airport took on a blatantly political tone when he harangued against the church for its past errors and subsequently plunged into an inopportune re-examination of Spanish decolonisation. But John Paul II took advantage of every opportunity he had to speak to the public to remind Mr Castro and the Cuban people of the absence of freedom, the material wants, the affliction and the misery suffered by a great part of the population and to criticise the educational system and the decriminalisation of abortion. To understand the key to the papal visit, it is necessary to recall the words exchanged in the Vatican during his Holiness's first audience with Fidel Castro in 1996: «I can't throw my doors open to the world just because there's a pistol being held at my head» said Mr Castro. To which the Pope replied, «you go ahead and open your doors to the world, I'll take care of the pistol».

John Paul II offered the Cuban leader his disinterested mediation in trying to bring about the lifting of the US embargo, which the pontiff severely criticised, and urged Fidel Castro to see to it «that Cuba opens up to the world and that the world opens up to Cuba.» An immediate fruit of the papal visit was the release of 299 Cuban prisoners, pardoned at the Vatican's request, though Cuban foreign minister Roberto Robaina hastened to warn that this act of clemency did not signify a liberalisation of policy—proof of this being the government's refusal to free 70 political prisoners.

The Pope's public denunciation of the Helms-Burton act was echoed by the international community, especially by the nations of Ibero-America and officials of the Roman Catholic Church. Some foreign ministers, such as Chile's José María Insulza, pronounced themselves in favour of the United States' adopting a more conciliatory stance towards Cuba, in view of the fact that Cuba «represents no threat to the security of the United Sta-

tes nor to anyone else's for that matter.» For his part, Monsignor Theodore McCarnik, president of the North American Roman Catholic bishops' international policy committee, declared that the time had come to promote reconciliation between the two nations and requested the American government to ship food and medical supplies to the island. Likewise, clergymen in Germany suggested that their country's political leaders should consider establishing a policy of bilateral co-operation with Cuba. The condemnation of the American embargo continues to garner adherents world-wide, most pointedly within the United States itself, where a number of business people and politicians are in favour of it being lifted, and even White House spokesman Mike McCurry acknowledges that the controversial Helms-Burton act has not achieved the hoped-for results. For Spain's part, on 13 February, the council of ministers approved a bill to protect Spaniards who invest in Cuba, in accordance with the European Union mandate stipulating that any citizen affected by the Helms-Burton act shall receive economic compensation. Given Europe's firm stance, the number two man in the US state department, Stuart Eizenstat, found himself obliged to travel to Brussels in February to offer terms of a commercial pact vis-à-vis the aforementioned act. To that effect, on 19 March Washington announced certain measures to ease the embargo: authorisation of direct flights for humanitarian reasons, a raising of the upper limit of the number of dollars that Cubans resident in the United States may remit to those on the island, and leave to ship medical supplies and items of basic necessity.

In a report addressed to the American Congress on 30 May, the US secretary of defence, William Cohen, made it clear that Cuba no longer represented a threat to the United States inasmuch as the revolutionary armed forces have dwindled and a large part of their materiel is unusable, playing down the importance of the dangers posed by the chemical and bacteriological weapons presumably still in the hands of Fidel Castro's regime. For the Pentagon, the greatest risk to the nation is the possibility of another huge influx of Cuban immigrants such as took place in 1994 when 20,000 crossed the sea to American soil on rafts.

Though on 21 April the United Nations Commission on Human Rights rejected a draft US resolution charging Fidel Castro's government with violating human rights, the prime minister of Canada, Jean Chrétien, during his visit to Cuba in the wake of the 2nd Summit of the Americas, insisted in the presence of the leader that political prisoners should be released and the Declaration of Human Rights honoured. On 18 May, the United States

and the European Union announced an agreement that would exempt European investments in Cuba from the sanctions set forth in the Helms-Burton act, but not the firms' executives and the investors, since that would require congressional approval. Speaking publicly on 10 October, former US secretary of state Henry Kissinger called for a review of his country's policy towards Cuba.

But for Spain, the most significant event of the year was the normalisation of relations with Cuba following Eduardo Junco Bonet's being appointed ambassador to Havana on 2 April, bringing an end to almost 500 days of diplomatic crisis, initiated when the Cuban government withdrew its agrément for the then ambassador designate José Coderch. Spain laid down two prior conditions: that the ambassador must have free access to all social sectors, including freedom to move about at will, and that ETA terrorists and drug-traffickers who flee to the island to escape prosecution must be subject to strict controls. The new situation has paved the way for the king and queen of Spain to pay a state visit to Cuba in 1999, independently of their compulsory visit later in the year on the occasion of the 9th Ibero-American summit. Moreover, trade relations and political contacts between the two nations have been stepped up, as witnessed by the arrival in Havana on 16 April of a delegation of 97 Spanish business people, headed by the president of the Spanish confederation of business organisations (CEOE), José María Cuevas; among their objectives were the re-negotiation of Cuba's debt, which has risen to 138 billion pesetas, and the opening of offices to provide legal and professional advice to Spanish firms doing business on the island. Fidel Castro held a long meeting with the CEOE heads and a protocol was signed between the CEOE and the Cuban government as a framework for the business organisation's relations with the island. Several weeks later, on 4 June, Fidel Castro attended a reception given by the commander of the training ship «Juan Sebastián Elcano», on the occasion of its visit to the island marking the 100th anniversary of the end of the Spanish-American war. Great importance was attached to the visit paid on 21-25 June by the minister of industry and energy, Josep Piqué, accompanied by senior officials in his department, the presidents of Endesa, Iberia, Indra, Ebro, and Red Eléctrica, and executives from Telefónica, Roca, Iberdrola, Renfe and Dragados, among many others. Mr Piqué had the opportunity to meet several times with Mr Castro. In like manner, other Spanish political leaders visited the island, one of the more noteworthy being the president of the autonomous government of Galicia, Manuel Fraga.

On 22 August the Cuban leader journeyed abroad to the Dominican Republic to attend the Caribbean Forum (Cariforum) as guest observer. Speaking on behalf of the 15 Caribbean heads of state and government who took part in the event, Dominican president Lionel Fernández said that Cuba formed part of the region and «we could not have had a meeting of this kind without including it.»

The previously mentioned Ibero-American summit in Oporto showed clearly the good state of relations between Spain and Cuba, as evinced by the meetings held by the king and the president of the government with Fidel Castro. A consequence of those encounters was the official visit to Havana made 8-11 November by the minister of foreign affairs, Abel Matutes, whose agenda included setting dates and making preparations for the royal visit in 1999, re-negotiation of the Cuban debt, the signing of various accords (among them one of mutual co-operation to stem drug trafficking), and pressing for the release from prison of four adherents of the politically opposed Internal Dissidence Support Group, charged with sedition and incarcerated without trial some 14 months ago.

Though the attorney general of the *Dominican Republic* confirmed on 1 April that he was considering the extradition of ETA terrorist Belén González, which had been requested by the Spanish government at the end of October, days before the elections for the autonomous region of the Basque Country, she and her companion Angel Iturbi Abásolo managed to flee the country. In the parliamentary and municipal elections held on 16 May, the Dominican Revolutionary Party won 25 of the 30 seats in the senate and the majority of deputyships and municipal offices. President Lionel Fernández's visit to Haiti was an historic event, given that no Dominican political leader had visited the neighbouring country since 1934. One of the many aims of the visit, begun on 20 June, was to tackle the serious problem posed by the presence of more than a half million Haitian migrant workers. The Caribbean Forum, attended by 15 regional heads of state, met in Santo Domingo on 21-22 August.

For *Argentina*, 1998 could be considered the year of the reorganisation of its armed forces, since its congress and senate passed a bill which some military sources have described as a directive of far-reaching operational consequence that defines the political, structural, and functional aspects of the nation's military organisation. The architect of act no. 24948 is the statesman José H. Jaunarena, whose aim in conceiving it was to increase the power of Argentina's military capacity to achieve the twofold objective

of maintaining national security and upholding international stability by taking part in peacekeeping operations. For the first time, the armed forces have a political mandate that supports their missions beyond the boundaries of the country. The law is supplemented by two others: no. 23554 deals with national defence and no. 24059 addresses internal security, thus covering every possible aspect of military operations. However, it should be noted that the law on internal security prohibits the armed forces from participating in conflicts originating within the country, responsibility for which lies with the police forces, though it does provide that they can lend support in certain circumstances such as, for example, combating drug-trafficking or battling armed groups within the national boundaries. In addition, the possibility of establishing a regional framework of security among Argentina, Brazil, and Chile based on mutual trust and the carrying out of joint military operations makes it possible to envision a much more influential role for their armed forces than merely taking part in peacekeeping operations.

The national territory will be divided into strategic areas, with a joint military command attached to each one, thereby effecting cut-backs in the current military chains of command. The operational units within each area will be grouped so as to make better use of installations and training facilities, thus ensuring considerable savings which will be reflected in salary rises to personnel. In peacetime, the armed forces will be made up of full-time personnel and reservists, with more emphasis on rapidity of response than on size. Similarly, the military training system will be integrated into the national educational system. As regards the procurement of equipment and materiel, attempts will be made to unify items suitable for common use, and those purchased abroad should be acquired with an eye to technology transfer and industrial compensation, and should also, when appropriate, include training methods such as simulation. The defence industries will be privatised, and foreign investments in the sector will be welcomed.

For the first time, the armed forces will have a multi-year budget. The 3.505 billion dollars established for 1998 will be increased by 3 percent in 1999 and perennally over the next four years. «It's not much», says Jauna-rena, «but at least the former downward trend will be reversed». The law provides for one billion dollars to be invested between 1999 and 2003 in the modernisation of materiel, including the purchase of new equipment, with the major portion of the financing to come from the sale of installations and military property. Likewise, decisions will be made regarding

which existing materiel ought to be preserved, which is worth modernising, and which should simply be scrapped. The implementation of the law will be supervised by an administrative board of six senators and six deputies belonging to the defence committees of the two respective houses. Three months after the law comes into effect, the ministry of defence must inform the board of its progress in achieving aims, such as new operational and support structures, proposals for personnel cut-backs, changes in the retirement system, and new pay scales. By the time the law has been in effect one year, the ministry will have determined its reserve requirements, long-term estimates of expenditures and programmes, a national mobilisation plan, and a catalogue of installations to be sold. Three years later, the study on the integration of military training into the national educational system must be ready, as well as the design for a military computer network. The legislators aim for completion of the entire groundwork for reform within a five-year period. The project will entail considerable distress, however, inasmuch as the goal of streamlining the military cannot be accomplished without cutbacks; troop numbers, already relatively low, presently stand at just 74,000, of whom 10,000 are enlisted and the rest officers. A twenty percent reduction could be traumatic and excessive.

Domestic affairs continued to be disturbed by the question of «the disappeared». The arrest of Lieutenant General Jorge Rafael Videla, ordered by Judge Roberto Marquovich for the alleged kidnapping and renaming of several children of political prisoners, and his subsequent incarceration in Caseros prison have led to uneasiness among the military. Of graver consequence still was the court order handed down by Judge Baltasar Garzón of the Spanish central criminal court to the effect that 200 Argentine military men were to appear before him in Madrid, recommending that arrest warrants should be issued for nine of them, inasmuch as President Carlos Menem said, «I find that I must of necessity assume the task of thwarting this manoeuvre of judicial harassment against the Argentine armed forces by those who do not understand the process of pacification and do so much harm to relations between Spain and Argentina.» These words were delivered by the president at the Puerto Belgrano naval base, 980 kilometres south of Buenos Aires, to a select group of naval officers. Mr Menem assured them that he was «the president who has been closest to the armed forces and proud of it» and that they would «always have this president on your side, and I hope this message makes you take heart.» In relation to the question of the disappeared, the Argentine parliament appeared in favour of repealing the «full-stop» and «due disobe-

dience» amnesty laws, though not retroactively, thereby allowing for the judgement of any human rights violations that may occur in the future.

On the subject of his candidature for re-election, President Menem announced in a July 1998 speech that he would not seek a second consecutive term because it might give rise to social fractiousness. He stressed his readiness to stand trial when he abandons office next year, stating that from that time onward he would commence work to return to the presidency in the year 2003. Regarding the international economic crisis that erupted in the summer of 1998, the president pointed out that the nation had sufficient cash reserves to bear up against it and went on to say that he would maintain the parity of the peso with the dollar come hell or high water. Nonetheless, Argentina has an unemployment rate of 14% and 5% GDP growth as opposed to the 8.6% predicted twelve months earlier, and it is feared that the nation's considerable indebtedness will persist through 1999, in spite of the measures adopted. 24 July brought the conclusion of the 14th Mercosur summit, which the presidents of Bolivia and Chile attended as associates in the free trade zone.

At the end of October, the president was the first Argentine leader to make an official visit to Great Britain since the Falklands War. During his stay, Carlos Menem asked British authorities to bring their good will—as would his country—to the task of finding an amicable solution to the disagreement over the South Atlantic islands, 16 years after the armed conflict had ended.

In January 1998, **Bolivia** presented its five-year anti-drug plan, the goal of which is to eliminate some 38,000 hectares of illegal crops, investing 952 million dollars, displacing 15,000 families, and offering alternative programmes to another 20,000. The plan likewise envisages economic contributions on the part of the European Union, the United States, and the United Nations Development Programme. In spite of the fact that Bolivian economic indicators were encouraging for 1998—albeit with a slight upturn in inflation—at the beginning of April the Bolivian Labour Federation (COB) called a general strike to demand better salaries. The situation degenerated when the army was deployed to prevent coca growers in the region of Cochabamba from blockading the main highway, resulting in several deaths. The government accused the drug-traffickers of provoking the incidents following the 40% reduction in the 2,300 dollar bonus that the government pays to those who harvest the coca leaves for each hectare of the crop eliminated, which spurred the drug merchants to prolong

their activity as long as possible. As a result of the detention of General Augusto Pinochet in London, several political sectors headed by the National Revolutionary Movement pressed for having President Hugo Bánzer tried for crimes against humanity, given his implication in *Operation Condor*, a programme of concerted action carried out against leftist groups in the 1970s by South American dictators.

The beginning of 1998 revealed **Brazil's** plans to revive ship-based naval aviation on the aircraft carrier *Minas Gerais* with the possible purchase from the Kuwait airforce of 23 *Skyhawk A-4* aeroplanes for a total amount of 70 million dollars. For some time, the Brazilian navy has been preparing to use aeroplanes that can be launched and landed on warships with a flight deck, and during the recent *ARAEX* exercises, Argentine *Super Etendard* aircraft operated from the Brazilian carrier, as did an *S-2E Track-er*, also Argentine. Argentina's navy has been co-operating with Brazil's in this respect for a few years now, having trained two pilots from that country and lent an *A-4Q* for a compatibility study. Should Brazil acquire the *Skyhawk* aircraft, it will be the only country in the western hemisphere, apart from the United States, with ship-based aerial capacity.

Nevertheless, three events came to shape the domestic scene in Brazil during the course of 1998; in order of chronological occurrence, these were a devastating forest fire in the Amazon basin, the world economic crisis, and the re-election of President Fernando Henrique Cardoso. The year began with the continuation of the huge forest fire that had been ravaging the Amazonian region of Roraima since November 1997 and which during the opening months of 1998 destroyed close to 40,000 square kilometres, an area larger than the Spanish region of Galicia. The Brazilian authorities refused the United Nations' repeated offers of aid on the grounds that it was an internal problem that should be dealt with using the means which that nation had at its own disposal, contrary to the opinion of the UN, who considers Amazonia the world's most important biosphere reserve with its six million square kilometres of tropical forest. International pressure obliged president Cardoso to accept Argentine and Venezuelan aid, and at the beginning of April heavy rains helped to control the blaze. But the deforestation of Amazonia continues practically unchecked, for 370,000 square kilometres have been razed by fire in the past twenty years alone. The worst thing is that deforestation is highly profitable—a cleared hectare sells for 23,000 pesetas whereas a hectare of autochthonous tropical jungle fetches a mere 2,300. What is more, the blaze caused even greater tragedy in that it destroyed the food crops of the *Yanomani* Indians, one of the twelve tribes that inhabit Roraima, according to reports published by the Missionary Council of Indigenous Peoples (CIMI), which has repeatedly denounced incursions into indigenous peoples' territories by economic interest groups, despite constitutional guarantees of the Indians' sole right to occupancy; the reality is quite different, inasmuch as the majority of their lands have already been encroached upon.

In mid-August 1998, the grave world-wide economic crisis precipitated a difficult situation in Brazil which in turn imperilled the economic stability of all Ibero-America. At the end of 1997, Ibero-America's largest economy was the first to suffer the effects of the depreciation of the Indonesian, Malaysian, and Thai currencies brought on by excessive speculation, and consequently in early 1998 the Brazilian government found itself in the position of having to take strong measures, such as curbing public spending and raising interest rates to over 40% to avoid the devaluation of the real. This regenerated international confidence in Brazil and encouraged a return of capital inflows, permitting rates to be lowered 20% and bolstering currency reserves to an all-time high of 70 billion dollars in May 1998. But such measures had a high social and political price and sparked off

the occupying of lands, the looting of supermarkets and attacks on supply lorries, making it necessary to summon the army to restore public order. In the face of these events, a number of Brazilian bishops, especially those of the progressive wing, criticised the government's repressive measures, pointing out that instead of deploying anti-riot forces they ought to have distributed food hampers and questioned whether the country was a democracy. During President Cardoso's official visit to Spain in mid-May, he said that the so-called «landless movement» was trying to exploit the situation for its own political ends. Plummeting prices on the world's stock exchanges during the summer of 1998 caused Brazil to lose more than 15 billion dollars in only two weeks, shrinking reserves to October levels of the previous year. In spite of financial adjustment measures, the massive flight of capital continued and, accordingly, the nation's reserves dwindled down to a low of 45 billion dollars. Among the emergency measures, the central bank of Brazil raised annual interest rates to 49.75% and reassessed the economic adjustment package of the stabilisation plan, announcing to President Cardoso during the middle of his re-election campaign the need for severe public spending cutbacks this year and the following. As a result of all this, Brazil's central bank admitted that the country would end the year with growth of under 2% of GDP, a 7.3% shortfall in GDP—the second largest in the world, exceeded only by Sweden's 7.7%—and public debt of more than five billion dollars. To head off the grave crisis, the Brazilian government asked the International Monetary Fund and the G7 for a bail-out package of close to 40 billion dollars; the request was granted but en-tailed a severe austerity plan to prevent the collapse of the economy and the devaluation of its currency, which, if they should be allowed to occur, would inevitably plunge the whole of Ibero-America into a deep and lasting recession.

General elections were held on 4 October. President Cardoso stood for re-election as the candidate of a centre-right coalition, which he won by a wide margin garnering over 20% more votes than leftist candidate Luiz Ignacio *Lula* da Silva. The coalition's candidates likewise obtained a majority of votes in the elections for the governorships of the 26 states and federal district. News of Mr Cardoso's victory was received with satisfaction by practically all of the American and European foreign ministries, as well as by international institutions and organisations, because it was also considered to be the triumph of the economic reforms, adopted in the face of the international crisis in August and September, which only the recently elected president would be able to put into practice. Later that month, on

25 October, a second round of gubernatorial elections was held in states where no candidate had achieved a sufficient majority in the 4 October elections. The choice of governors was crucial because Mr Cardoso would have to rely on them to implement his financial adjustment plan. Ratifying Mr Cardoso's claim to the presidency a second time, these new elections brought to a close the process of choosing new local and national authorities constituting a third of the senate, the entire chamber of deputies, and members of the regional assemblies.

A peace treaty signed in Brasilia on 26 October put an end to the fierce border dispute between Ecuador and Peru. The event was attended by the king and queen of Spain and five Ibero-American heads of state. President Cardoso had played a noteworthy role in the negotiations leading up to the accord, acting as co-ordinator between the four guarantor nations—Argentina, Brazil, Chile, and the United States—and the two opposed countries.

During 1998, life in *Colombia* was marked by the ongoing confrontation between government and guerrilla forces. For that reason, during the visit to Spain by President Ernesto Samper in early February, José María Aznar proposed that Madrid could host peace talks aimed at finding a solution to a conflict that has cost an average of ten lives daily over the past 30 years. This led to an outline agreement being signed in Madrid, known as the Viana preliminary accord, between the Colombian government and the National Liberation Army (ELN), the second largest guerrilla force in the country and led by former Spanish priest Manuel Pérez. However, these efforts did not come to fruition because in April the guerrilla group accused the authorities of using the pact for electoral purposes to benefit the governing party's presidential candidate, liberal Horacio Serpa. News of the death of the guerrilla priest came at the same time. On 31 May, voting took place to choose the two candidates who would stand in the presidential elections to be held 21 June. Following the vote count, the two winners to emerge were Serpa for the liberal party and Andrés Pastrana for the conservatives; eliminated from the contest was independent candidate Noemí Sanín, who, even so, had succeeded in garnering nearly three million votes. Despite army and police surveillance, terrorist attacks and abductions were carried out by the guerrillas, who had announced that they would not interfere in the electoral process. The following day, the ELN broke the deadlock on the negotiations that had begun with the Viana outline agreement and accepted Spain, France and Germany as mediators, in addition to Nobel literary laureate Gabriel García Márquez.

Nevertheless, terrorist outrages continued to occur during the three-week period between the two elections. At the beginning of June, the report published by Amnesty International said that in 1997 there had been some 30,000 deaths, 114 massacres, 200,000 displaced, 140 «disappeared» at the hands of security forces, 600 abducted by the Revolutionary Armed Forces of Columbia (FARC) and the ELN, and 40 mayoral and council candidates assassinated. The presidential elections on 21 June were won by conservative Andrés Pastrana, who confirmed his offer to enter into talks with the guerrillas. Sure enough, at the beginning of June the president-elect travelled to a jungle zone in the country's east where the FARC have their headquarters to meet their two principal leaders, Manuel Marulanda *Tiro Fijo* («Sureshot») and Jorge Briceño *El Mono Jo Joy*, and committed himself to demilitarising the five towns that the rebel movement had requested as possible sites of the peace talks. A few days later, the ELN agreed to take part in a peace summit starting on 12 June in the German city of Mainz with members of the National Peace Commission, including the attorney general of Colombia and the president of the National Federation of Commerce, and went on to sign the Mainz declaration, which among other points advocates the «humanisation of the conflict.»

But on Wednesday 5 August, Colombian guerrillas dealt the armed forces one of the most devastating blows of the past few years, razing to the ground their main counter-narcotics centre, located at Miraflores; the rebels described the attack as «a send-off to the government of Ernesto Samper», who handed over executive power to Mr Pastrana on 7 August. At least 250 guerrillas, military men and civilians were killed in the clash, and nearly 100 were wounded. The guerrilla onslaught spread to other provinces, where there were also large numbers of victims. In spite of these developments, President Andrés Pastrana reiterated his offer of peace on assuming office and announced a profound political change in the country that included peace, political reform, and economic adjustment. The Prince of Asturias and eight heads of state attended his swearing-in ceremony.

In September, with the participation of the Spanish ambassador Yago Pico de Coaña, the talks continued between the ELN and the National Peace Commission, assembled in the Colombian town of San Francisco. It was announced that they would start up an ambitious national convention on 13 February 1999 to discuss various important issues, such as human rights, armed forces, corruption, natural resources, democracy, the

economy, agriculture and drug-trafficking. Meanwhile, President Pastrana set in motion an extensive overhaul of the upper echelon of the armed forces and on 13 October ordered the withdrawal of military forces from a large district in the country's south. He furthermore conceded the FARC p a r t y treatment, declaring that 42,139 square kilometres would remain under guerrilla control as «a peace laboratory» and assured that the demilitarisation would be in effect from 7 November to February 1999 «to foster dialogue leading to a firm and lasting peace.» A few days later, the senate approved an initiative to ask the leaders of the FARC, the EZL, and the People's Liberation Army (EPL) to appear before the legislative body to set forth their proposals for political reform to be undertaken by parliament, the ultimate aim being to allow the nation to put the many years of civil war behind it. The proposal was accepted by the three guerrilla bands.

But the grave world-wide financial situation in mid-summer seriously affected the Colombian economy. The new president was the first Ibero-American leader to adopt measures to overcome the crisis and on 2 September decided to devalue the peso by 9%, in order to avoid the flight of capital, which during the 12 preceding months had amounted to over 1.3 billion dollars. The harsh adjustment programme gave rise to massive day-long protests throughout the country, leading to violent clashes with security forces. Owing to the crisis, Colombia's economy grew by less than 3% in 1998, and there was also an upturn in inflation.

On 26 February, the United States lifted the sanctions it had imposed on Colombia two years earlier, in recognition of «the efforts the country is making to combat drug-trafficking». In this connection, Colombia is negotiating with France to extend an agreement to monitor the areas where crops are grown by means of satellite. Also, when visiting France, Spain, and the Netherlands, the Colombian counter-narcotics director acknowledged that the guerrilla groups had the capacity to shoot down aircraft, going on to refer specifically to the government's loss of three aeroplanes and seven helicopters.

Politics in **Chile** during 1998 revolved around the figure of General and Senator-for-life Augusto Pinochet. No sooner had the year begun, the communist party of Chile lodged a complaint against the general—still the commander-in-chief of the armed forces—for crimes of «genocide, abductions followed by disappearances, criminal conspiracy, and the illegal disposal of corpses». These charges were later admitted by a judge of the

court of appeals in Santiago. Likewise, the National Council of Christian Democracy, a party that forms part of the governing coalition, debated the constitutional case against General Pinochet brought by five of its deputies, to the effect that he should not be designated senator-for-life since, according to the constitution in force, this post can only rightfully be held by someone who has been president of the republic for more than six years. Nevertheless, speaking on behalf of the executive, the minister of the interior pointed out that the government would not support the constitutional case against the general because it considered it «inadvisable» during this time of transition, when preparations were under way for Pinochet to step down as commander-in-chief of the armed forces sometime between 26 January and 11 March. In the face of the controversy, the government proposed a referendum to reform the constitution so as to eliminate the offices of senator-for-life and senator designate.

As a response to the incidents that took place in the chamber of deputies in mid-January, which precluded debate on the constitutional question, the general postponed his retirement to the 11 March deadline. This delay led to the resignation of the minister of defence, Edmundo Pérez Yoma, on 16 January. Mr Pérez Yoma, who had been appointed as the go-between for the civil authorities and the armed forces during the transition, was replaced by Raúl Troncoso Castillo, who declared a few days after taking office that Pinochet had done much for the country and called him a defender of democracy. Around the same time, the supreme court of Chile rejected the petition by Spanish judge García-Castellón for records of the alleged violations of human rights of Spanish citizens during the regime of General Pinochet. On 2 February, the Chilean president, Eduardo Frei, set out on an official visit to Spain, during which he criticised the Spanish judicial enquiries and asked that the democratic transition under way in his country should be respected. Also, the Chilean foreign minister, José Miguel Insulza, pointed out that the elderly military man's seat as senator-for-life, following his retirement, was a «reasonable price to pay» for the transition to democracy.

On 8 March, the armed forces declared Pinochet «meritorious commander-in-chief» for his «lifetime achievement and labours accomplished» and to bear witness to «the imperishable recognition of his leadership». Three days later the general was sworn in as senator-for-life in a ceremony preceded by numerous incidents in the upper house as well as in the chamber of deputies. For its part, the European parliament, after a speech by the Spanish Euro MP of the United Left, Carlos Carnero, ratified a refu-

sal to recognise Augusto Pinochet's being appointed senator-for-life. In an early April debate in the Chilean parliament on the question of a new constitutional charge against the general, the president of the nation, Eduardo Frei, declared that «Augusto Pinochet was not an obstacle to democracy and that the armed forces at all times respected the law and legitimately established political power.»

But the leisurely pace of life in Chile during the summer break was to be severely shaken by the decision of Spanish judge Baltasar Garzón to request the British government to «guarantee [General Pinochet's] remaining on British soil» until a statement could be taken from him. General Pinochet was subsequently arrested on 17 October in a London hospital, where he was recovering from surgery. Judge Garzón charged him with genocide, terrorism, and torture. But Britain's high court ruled that the senator-for-life enjoyed sovereign immunity and quashed the warrant for his arrest, though the Crown prosecutor appealed against this decision on behalf of the Spanish judge. On 25 November, the judicial committee of Britain's House of Lords annulled Augusto Pinochet's immunity in an historic decision that cleared the way for his possible criminal prosecution. This led to a grave political crisis in Chile. President Frei immediately convened a meeting of the National Security Council and addressed the nation in a broadcast and televised appeal for responsible and calm behaviour on the part of institutions and citizenry. Close on his heels, the military—who, as is well-known, enjoy considerable influence in domestic affairs—issued a strongly worded statement and urged the executive to set in motion the steps necessary to permit the elderly commander-in-chief to return to Chile. Apparently, in the meeting of the national security council, the military officers demanded that the government should immediately break off diplomatic relations with Spain and Great Britain. General Ricardo Izurieta, commander of the army, called a meeting of 2,000 officers in Santiago to analyse the situation.

On the economic front, on 1 June Chile and the European Union formalised the incorporation of political dialogue into the Co-operation Framework Agreement, ratified in June 1996, the ultimate objective of which is to establish a political and economic association. Later, on 22 June, the European Commission approved the mandate of the creation of a free trade zone with Mercosur (Argentina, Brazil, Paraguay, Uruguay) and Chile. The fall in commodity prices as a result of the international financial crisis caused a drop in exports of Chilean copper, making it necessary to cut public spending by 700 million dollars in mid-summer in order to avoid

an upturn in inflation, which had been kept below 3% with respect to 1997. As for the acquisition of new weapons systems, at the beginning of the year the air force ordered the purchase of 12 UH-60 *Blackhawk* helicopters, postponing the acquisition of modern combat planes.

In *Ecuador*, the armed forces have had to face up to pressure from the private sector, which is keen to see them stripped of their commercial privileges; they have vested interests in hotels, the textile industry, agriculture, metallurgy, explosives and shellfish farms, etc., as well as receiving a substantial part of the profits from petroleum exports. The military argue that these sources of income help meet defence expenditures and furthermore that the armed forces constitute the country's most worthy institution, since they maintain a wide range of social programmes such as teaching farming methods to the Indian population, providing electricity supply in rural areas and public education. Ecuador is one of the few Ibero-American countries that has been increasing its defence budget, no doubt on account of the conflict it had been engaged in with Peru and the need to protect its frontier with Colombia against penetrations by guerrillas and drug-traffickers, bearing in mind also that its oil pipelines run through the immediately adjoining region.

On 1 March, the board of elections called general and presidential elections amid a tense atmosphere following the damage caused by the meteorological phenomenon known as «*El Niño*», which had devastated the coastal area, and the confrontation between President Fabián Alarcón and the national assembly over the latter's decision to postpone the dates of constitutional reform. The first round of elections, held 31 on March, resulted in victory for the Christian social party, while Quito's mayor, Jamil Mahuad, and populist banker Alvaro Noboa were chosen to compete in the second round of presidential elections on 12 June. Winning the final vote by a slim margin (51.16% as opposed to his opponent's 48.83%), Jamil Mahuad assumed the presidency, declaring that his priorities would be the country's economic recovery and a solution to the conflict with Peru. The response to the economic adjustment measures was a general strike in early October that led to disorder and violence in several cities and towns, particularly Guayaquil, while the lengthy negotiations with Peru culminated in the peace treaty that was ratified in Brasilia on 26 October.

The beginning of the year in *Mexico*—and practically the whole year—were marked by the profound nation-wide grief in the aftermath of the Acteal massacre at the end of December of the previous year. In January,

the recently appointed secretary of the interior, Francisco Labastida Ochoa, carried out an extensive overhaul of his department, which included the dismissal of the governmental co-ordinator in the Chiapas peace talks and his replacement by Emilio Rabasa. At the same time, pressured by the progressive deterioration of the situation, the new governor of the state of Chiapas, Roberto Albores, requested army assistance to reform the police force and laid the blame on foreign interests for the problems registered in the region. The under-secretary of the interior, Fernando Solís, likewise lashed out against the hundreds of foreigners who had come to the region months earlier (most of them members of numerous NGOs), accusing them of «taking part in demonstrations, political indoctrination, and inciting to revolt.» The upshot of this was the expulsion in late April of these foreign nationals, among them several Spaniards who had been working as human rights observers and were accused of «revolutionary holiday-making.» Almost simultaneously, various governmental media accused Chiapas bishop Samuel Ruiz of having links with the Zapatist National Liberation Army (EZLN). This triggered the protest of the Mexican Roman Catholic hierarchy and Chiapas's four bishops pointed out to the secretary of the interior, Labastida Ochoa, that Mexico was standing at a dramatic cross-roads and must choose «either the road to democracy or that which leads to dictatorship, repression, and war.»

The growing presence of army units in the southern state was criticised by the Mexican episcopate, whose vice-president, Bishop José Guadalupe, requested the government to «withdraw the army from indigenous communities to avoid provoking conflicts and a consequent escalation of violence.» The EZLN responded by threatening to take up arms should any new attacks by paramilitary groups occur and condemned the ever-increasing presence of military forces; for its part, the National Indigenous Council reiterated its protests that Mexico's Indian communities lived in an atmosphere of terror and entreated the executive to adopt in their entirety the San Andrés Larrainzar Accords on the Culture and Rights of Indigenous Peoples, ratified by the government and the EZLN in 1996. For their part, the media advocated the dismantling of the region's political power structures, which they described as «criminal», in order to lay the groundwork for peace in the region. On 17 March, to prevent the situation worsening, the government presented a peace plan, inviting the leader of the EZLN, deputy commandant Marcos, to renew talks. He in turn replied that the executive must accept the terms of the bill drafted by the Commission

of Concord and Pacification for Chiapas (COCOPA) and based on the aforementioned San Andrés Accords. The government proposal entails amendments to seven articles of the constitution: to acknowledge indigenous peoples' right to decide in an autonomous manner their social, economic, political, and cultural organisation; guarantee their cultural identity; foster the transmission of their language via their own communications media; impart justice according to their own laws; sanction their right when being formally examined in court to be provided an interpreter and a lawyer who speak their language; guarantee their right to use the natural resources on their lands; protect the development of their communities; and promote the growth of local government, bearing in mind the geographical location of indigenous populations.

On the occasion of her mid-March visit to Chiapas as an ambassador of UNESCO, Nobel peace laureate Rigoberta Menchú said that the tension in the area was evident and that the strong military presence there could well lead to hostile encounters. She stressed that the conditions of poverty and social marginalisation in which the Indians of Chiapas live have actually grown worse over the past few years and pointed out that there was virtually no communication between the main players, the government, EZLN, and COCOPA. The Nobel laureate considered that the greatest danger lay in the existence of armed groups that are linked to local political bosses and act with impunity, and viewed with trepidation the growing number of such groups; she observed that these terrorist groups must be put out of action before any efforts at reconciliation could bear fruit. Rigoberta Menchú likewise advised that the indigenous communities should be consulted and their opinions taken into account in relation to any political initiatives likely to affect them. As part of a tour through Ibero-America, UN secretary-general Kofi Annan stopped off in Mexico on 21 July for a two-day visit. During his stay, he urged the EZLN and the government of President Ernesto Zedillo to enter into sincere, honest, and continued talks leading to peace and stressed that Mexican society had a role to play in encouraging serious negotiations and not inciting to violence. Mr Annan pointed out that the UN's role would be to promote the peace process and reiterated that the UN would not mediate in the conflict because it had not been asked to do so by the Mexican government.

In a public-opinion poll conducted by the Rosenblueth foundation and published on 18 August, 70% of Mexicans considered the government, the Chiapas authorities, and paramilitary groups close to the PRI to be responsible for the crimes committed at Acteal the previous December. 73%

regarded the 1994 Indian uprising as justified and thought that the conflict had repercussions at a national level, while 53% reckoned that the government had no intention to come up with a solution and that the San Andrés Accords had not been complied with. As to whether or not the EZLN represented a danger to peace, opinion was almost equally divided, with approximately 40% both pro and con. The opposition severely criticised President Zedillo for not mentioning the Chiapas conflict in his fourth state of the nation report published in early September and for concealing the truth of the situation there from the public. Meanwhile, a documented entitled «The legality of injustice», published by the Fray Bartolomé de las Casas Foundation, states that since the Acteal massacre, 57 people have been murdered in Chiapas. On 14 September, ten bishops belonging to the Peace and Reconciliation Commission of the Mexican Episcopal Conference journeyed to Chiapas to gather additional information to supplement the data provided by government sources as part of the preparations for the visit of Pope John Paul II to Mexico, slated for 22 January 1999.

The fall in oil prices forced Mr Zedillo's government to do some budget trimming and also led to a shortfall in predicted revenues of more than 1.5 billion dollars. Unlike in 1986, when the Mexican economy depended on oil for 75% of its income, nowadays crude oil accounts for only 37% of exports, though this is still a high percentage and one that could have a worsening effect on what is already a grave deficit. The world-wide economic crisis in August entailed a further risk factor for Mexico and forced it to raise interest rates, which stood close to 27% by summer's end. All this resulted in a downturn in growth which, it is feared, will be less than 4%—down considerably from the previous year's 7.1%. Nevertheless, in his government's fourth state of the nation report, mentioned above, Mr Zedillo defended his fiscal policy in the face of the fall in crude oil prices, the crises in Russia and Asia, and the depreciation of the peso against the dollar, while putting the blame for corruption on «white-collar criminals» (among those accused is the director of Mexico's central bank, reported by the newspaper *Reforma* to be suspected of embezzlement). The International Monetary Fund expects Mexico to reform the banking sector, adjust its monetary policies and diversify its revenues so as to contain the slowdown in economic growth and the devaluation of the peso, which in October fell 32% against the dollar.

Once more, drug trafficking played a regrettably prominent role in Mexico's affairs. The counter-narcotics prosecution department revealed that it had detected activities related to the drug trade in 20% of the

nation's 2,418 townships and reported that during 1997 it had located and destroyed 770 clandestine landing-strips, eradicated 41,000 hectares of marijuana and opium crops, and detained 11,000 people in relation to this criminal activity. Furthermore, the attorney general's office arrested the former director of the federal criminal investigation department, whom it accused of having links to the drug trade and of having committed other alleged crimes during his term in office (1993-95). As to urban crime, thousands of Mexicans demonstrated against violence. Indeed, according to some media sources, 694 crimes are committed daily in the capital alone, and it is estimated that in 1998 some million and a half violent crimes took place in Mexico's federal district, with a total of 1,100,000 victims. In the fight against organised crime, authorities detained Daniel Arizmendi, leader of a powerful Mafia responsible for 200 abductions. Among the victims of this organisation were several Spaniards, whose ears they cut off and sent to their families to persuade them to pay ransom money.

It is evident that the Mexican armed forces have been playing a major role as power brokers in Mexico and, contrary to the rest of the Ibero-American countries, they are increasing the defence budget and carrying out assignments relating to the country's internal affairs. This new role has had a deteriorating effect on their image and introduced new elements of tension vis-à-vis the police forces and the citizenry. The arrest of counter-narcotics chief General Gutiérrez Rebollo in 1997 for his links to drug-traffic-kers and his sentencing on 3 March 1998 to 13 years and 9 months in prison, the unpopular intervention of the army in Chiapas, and General Gallardo Rodríguez's arrest and 14-year sentence for the misappropriation and destruction of archives belonging to the armed forces have all had an extremely negative effect on the latter's image. This led President Zedillo to adopt measures to distance the military from the risks of involvement in corruption and to re-establish their honour, placing the attorney general's office in charge of combating organised crime, corruption and drug-traffic-king.

The political scene in *Paraguay* in 1998 was marked by the victory of the Colorado Party in the presidential elections and the affair of General Lino Cesar Oviedo, who had been put on trial for an attempted coup d'état in 1996 and had been incarcerated since 2 December of the previous year by order of President Juan Carlos Wasmosy, pending decision by a special military tribunal. On 9 March, the general, who had won the run-offs to be nominated the presidential candidate of the Colorado Party (ANR), was sentenced to ten years in prison by the court for a crime

«against the order and security of the armed forces»—a decision that the supreme court confirmed a month later. This in turn led the electoral authority to disqualify General Oviedo from standing in the 10 May elections. Thus was ended a political and military crisis that could have put paid to the political transition in a country which, in the words of Paraguayan writer Arturo Roa Bastos, has not seen the advent of democracy and «continues to be an island surrounded by land.»

The presidential elections were won by the candidate of the ruling ANR, Raúl Cubas, who polled 54% of the votes compared to the 43% secured by his opponent Domingo Laino of the Democratic Alliance. The elections, which achieved a turn-out of 80%, also seated 45 senators, 80 deputies, and 17 governors of the departments that make up the country. New president Raúl Cubas was installed in office on 15 August; attending his swearing-in ceremony were the Prince of Asturias and seven heads of state. But on 18 August, Cubas commuted the ten-year prison sentence of his friend and fellow party member, General Oviedo, to three months in prison. This led to his immediate release, since he had already been behind bars for eight years. The presidential decision met with disapproval in the congress, but an attempt at impeachment fell short of the required two-thirds majority and was accompanied by the silence of the military. The presidential action also led to a purge of the armed forces.

As to the economic picture, there were satisfactory results in reducing public debt and stemming inflation, and the military defence budget was trimmed back by 110 million dollars, though the opposition complained that corruption entailed losses of 2 billion dollars to the nation.

Although the *El Niño* phenomenon affected some parts of **Peru** at the start of the year, a preliminary accord with Ecuador establishing a timetable leading to the signing of a peace treaty between both countries partially compensated for the damage caused by the flooding. The security forces chalked up a major success on 22 April when they captured Pedro Quinteros, long-established leader and member of the principal policy-making and executive committee of the Shining Path. Nevertheless, the resignation of Prime Minister Alberto Pandolfi in early June—precisely when negotiations with Ecuador over the forthcoming peace accord were at their most intense—contributed to the growing atmosphere of crisis. In view of the situation, Alberto Fujimori appointed a new premier within 24 hours—Javier Valle Riestra, a known critic of the head of state who opposed his re-election as president of the country. In his first public address,

the new prime minister said that he would endeavour to «encourage democracy and respect for human rights» and, declaring himself opposed to any re-elections, went on to state that his government would have to deliberate on the question of Mr Fujimori's eligibility to stand for re-election in the year 2000. But at the beginning of August, Mr Valle Riestra handed in his resignation, explaining that his efforts to democratise the country had proved ineffective; he was replaced by Alberto Pandolfi, who had quit the job two months earlier.

On 20 August, the removal of General Hermoza as commander in chief of the army and chairman of the joint chiefs of staff caused considerable unease among the nation's military, who had placed their trust in the general throughout the seven years he had held his post. He was replaced by the minister of defence, General Cesar Saucedo. A week later, on 27 August, the Peruvian congress ruled against holding a referendum to determine whether President Alberto Fujimori should be able to run for a third term, thereby leaving the way clear for a new re-election. The opposition had only been able to come up with 45 votes of the 48 required to repeal the law permitting the re-election of the president, though the call for a referendum had been supported by 73% of Peruvians. Mr Fujimori has enjoyed United States support because of his participation in the war against drug-traffickers. That nation has provided Peru with state-of-the-art radar systems to detect and monitor the aircraft used to transport the drug, enabling the air force to shoot several of them down and undermine the «air lift» to Colombia, thereby curtailing cocaine shipments by almost a third as market prices for the drug dropped.

In *Uruguay*, the year began with the resignation of the minister of foreign affairs. In February, the senate, in full session, made a formal declaration of solidarity with the Spanish people, condemning the latest crimes of ETA. In mid-May, Montevideo hosted the 9th Conference of the Speakers of Ibero-American Democratic Parliaments, which Cuba attended for the first time as a full-fledged member. Spain was represented by the speaker of the chamber of deputies, Federico Trillo. On 18 July, a Uruguayan judge turned down a letter of request from his Spanish counterpart Baltasar Garzón to interrogate an official, retired in 1971, about the disappearances of Spanish citizens in Argentina. Noteworthy achievements in the economic sphere were the fall in inflation from 19.8% to 10.2% and the European Commission's decision in July to open negotiations with the four members of Mercosur for the creation of a free trade zone.

The international economic situation had a particularly heavy impact on *Venezuela*. The sharp drop in oil prices, which dipped below 12 dollars a barrel—well below the 21 dollar figure set by the Organization of Petroleum Exporting Countries (OPEC) of which the nation is a member. Petroleum is Venezuela's main export product, and the price drop resulted in losses of over 7 billion dollars in the country's revenues for 1998. Despite the more or less co-ordinated attempts by the OPEC countries, and also by some non-member nations, to reduce oil production with a view to pushing up prices, these slumped to their lowest level in ten years. In the face of the situation, on 18 August the Venezuelan and Mexican energy ministers agreed to reject new cutbacks in petroleum production, which had already been reduced by 525,000 barrels a day in Venezuela and by 200,000 in Mexico. To head off a massive devaluation of the bolivar, at the end of August the Venezuelan government decided to float the currency and let it find its own feet in the international exchange market, effecting a devaluation in all but name. And the economic downturn has made it the only Ibero-American country combining a negative growth rate and a soaring CPI, which rose to 37%. On 14 September, the Deposit Guarantee Fund reported that interest rates were in the region of 100%, that the bolivar had been devalued by 14,000% since 1984, and that inflation had risen by 89,000% during the same period.

As for political affairs, on 14 April a court ordered the immediate arrest of former president Carlos Andrés Pérez on charges of lining his pockets, confining him to his residence in Caracas since his age—he is over 70—precluded his incarceration in a penal institution. But more important were the regional and legislative elections held on 6 December. The winner was former lieutenant colonel Hugo Chávez, ringleader of the attempted coup of 4 February 1992. His coalition, called the Patriotic Pole, was made up of the Fifth Republic Movement, which is his party, the socialists, the nationalist sector and the communists, while the traditional parties received a sharp rebuff at the polls, providing clear evidence of the Venezuelans' desire for change.

On the international scene, at the inauguration of its 27th general assembly on 1 June in Caracas, the Organization of American States ratified a declaration of commitment to their «common destiny» of striving to encourage democracy in the lands of the western hemisphere.

SPAIN IN IBERO-AMERICA

Spain has maintained and increased its presence in Ibero-America in both the political and economic spheres. On 15 March the president of the Spanish government set off on his sixth trip to the region before completing his second year in power. On this occasion the tour included a visit to three countries—Bolivia, Uruguay and Chile, in that order—lasting a week. It marked a further step in strengthening Spain's cultural and economic presence in the Southern Cone of the continent and conveyed two messages: an appeal for greater collaboration in combating terrorism and a call for democracy. On arriving in the Bolivian city of Santa Cruz de la Sierra, José María Aznar stated that «*the important thing now is for us, with our roots, with our past, to be capable of building a future together*». During his visit agreements worth a total of 130 million dollars were signed, whereby resources were channelled towards debt relief and programmes to promote small and medium-sized enterprises. Of the most important agreements, mention should be made of the one designed to strengthen Bolivia's civil defence system in order to combat the effects of the El Niño meteorological phenomenon, another to boost the fight against drug trafficking and to promote the growth of alternative crops other than coca leaf in the Chapare region, and yet another to foster the development of the indigenous peoples. Precisely at the headquarters of the Indigenous Forum (an institution set up at the Ibero-American Summit of Madrid in 1992) he called on all the countries of the Southern Cone to recognise the indigenous peoples in their constitutions and to grant them their rightful place in national parliaments.

In Uruguay, the second country on the agenda, Mr Aznar centred his message on anti-terrorist efforts, as 13 members of the ETA group currently reside in that country. Spain had accomplished certain achievements in this field in Uruguay, such as persuading the senate to sign a declaration condemning terrorism. Uruguay was furthermore the first country whose authorities publicly showed the video made by the Spanish ministry of the interior to demonstrate to the world the true nature of ETA.

As soon as he trod Chilean soil, José María Aznar urged the chamber of deputies in full session in the city of Valpara to «dilute any authoritarian residues» and to exercise daily «the spirit of concord» and the principles of the rule of law. On the second day of his visit he issued a novel message in his address to parliament—that of creating a common legal Ibero-American space, similar to the one the different Spanish governments have proposed for Europe. The Chilean members of parliament applauded the president when he thanked them for giving a warm welcome to Spa-

nish exiles and emigrants «in difficult times». The two governments tacitly agreed that Spain would not interfere in any way with Chile's transition to democracy and that Chile would not make complaints to the Spanish president regarding the conduct of Spanish justice in relation to the missing Spanish people. José María Aznar, who was accompanied on this trip by a large group of businessmen, also had a number of economic objectives, since Spain is the leading foreign investor in Chile, which has a very favourable co-operation treaty with the European Union.

The trip made by the president of the Xunta de Galicia (the Galician autonomous government) to the Mercosur countries likewise reflected Spain's economic co-operation with Ibero-America.

In May the Brazilian President Fernando Henrique Cardoso renewed his April visit to Spain which had been interrupted on the 22nd owing to the death of one of his closest collaborators. Mr Cardoso arrived with several ministers and a group of businessmen in order to enhance the trade relations which have developed spectacularly in the past few years.

The Spanish Royal Household, which pays special attention to Ibero-America, was represented by the Prince of Asturias at the swearing-in ceremonies of five new presidents: those of Honduras and Costa Rica in late January and on 8 May, respectively and later that year, the Prince cut short his August holidays to travel to Colombia to attend the investiture of Andrés Pastrana as head of state; he then travelled to Ecuador, where Jamil Mahuad was sworn in and went on to Paraguay to represent Spain at the swearing-in ceremony of Raúl Cubas. He also visited Venezuela to attend the 5th Centenary of the arrival of Christopher Columbus in the American continent.

In mid-September President Aznar made his seventh trip to Ibero-America, this time visiting Colombia and Peru. On arriving in Cartagena de Indias, he made an offer of Spanish mediation in the peace process which the newly-elected president of the Colombian Republic, Andrés Pastrana, intended to relaunch. His offer included using Spanish diplomats as mediators and Madrid as a neutral headquarters for negotiations with the guerrilla groups, particularly the Revolutionary Armed Forces of Colombia, the FARC, and the National Liberation Army. It should be recalled that an average of 30,000 homicides are committed in Colombia every year and violence has displaced and obliged 150,000 people to emigrate. When signing several bilateral co-operation agreements and a programme of financial aid, Mr Aznar raised the subject of guaranteeing respect for

human rights, though he did not lay down conditions for Spanish aid. Before going on to Lima, the Spanish premier visited the Amazonian locality of Iquitos, where Spain is actively involved in co-operation projects. He signed an agreement with Alberto Fujimori establishing annual high-level contacts, stating that the Spanish government had thus «filled the vacuum» which had existed for six years. Moreover, the increase in Spanish investments in Peru, in José María Aznar's opinion, justified affording this nation political support. Several days later, the wife of the Spanish prime minister was a special guest at the 1st Conference of first ladies of the Americas in Santiago de Chile, giving the opening address on female inmates, a sector of the population which «suffers painful marginalisation».

Following the Ibero-American Summit in Oporto, the Iberian and Ibero-American leaders belonging to the Christian Democrat International met in the Galician city of Bayona. In the Declaration of Bayona they undertook to reject all forms of corruption and the temptation of any totalitarian or authoritarian conduct, advocating the universal values of Christian humanism as the basis for consolidating democracy. In addition to the president of the Spanish government, this meeting was also attended by the heads of state of Argentina, Colombia, Costa Rica, Chile and Ecuador and the president of the European People's Party, Wilfred Martens. At the same time, the 3rd meeting of ministers of the Ibero-American presidency took place in the Spanish city of Cordoba. The aim of this event, which was officially opened by Spanish deputy premier Mr Álvarez-Cascos, was to find a global response to common problems. Meanwhile, Fidel Castro visited Extremadura before going on to Madrid on 20 October, where he held several meetings with José María Aznar.

However, this major boost to relations with Ibero-America was hampered by a serious incident: judge Baltasar Garzón's request for the indictment of general Augusto Pinochet, which was mentioned earlier in connection with the 8th Ibero-American Summit. Despite the personal efforts of President Frei and José María Aznar to limit the crisis to a strictly legal affair, the impact on relations between the two countries was considerable, so much so that the Chilean government recalled its ambassador to Madrid and violent demonstrations disrupted life in Chile, where Spanish flags were burnt and marches were staged outside the Spanish diplomatic residence in Santiago to protest at the Spanish government's decision to request the British authorities for extradition. It is worth remembering that Spain has a strong economic presence in Chile, with public and private investments totalling a trillion pesetas.

Spain's economic policy with regard to Ibero-America was to increase investments in 1998, surpassing the trillion-peseta mark reached in 1997. Spanish investments in *Argentina* now amount to some 400 billion pesetas and, if partnerships are taken into consideration, the figure is over 900 billion. The main Spanish operators in this country are Telefónica, Repsol, Endesa-Enher, Aguas de Barcelona and Campofrío, while the most active banks are Santander, BBV, Banco Español de Crédito and Central-Hispano. Special mention should be made of Telefónica's presence in *Brazil*, where it invested almost a trillion pesetas in 1998 in purchasing Telesp and Tele Sudeste Celular; as for banks, the Santander group has a major presence in the country, as does BBV, which strengthened its foothold in the Brazilian market by acquiring Banco Excel during the year. The Spanish banking sector is also very active in *Chile*, where the Santander group secured a market share of 11.3 percent in 1998, while Central-Hispano has invested over 70 billion pesetas and currently controls the two leading Chilean banks. Telefónica and BBV have likewise made substantial investments and control about 45 percent of Telecomunicaciones de Chile and Banco Hipotecario de Fomento respectively, while Endesa is the main shareholder of Enersis, the biggest electric utilities company in Chile. *Mexico* is another principal recipient of Spanish investments and in 1998 Santander, Bilbao-Vizcaya and Central-Hispano increased their volume of activity in the country, as did Telefónica, Dragados, FCC, Entrecanales and Cubiertas, the Seville company Abengoa and the Ríu hotel group. In *Venezuela*, BBV, the Santander Group, Central-Hispano and Telefónica were the main companies to continue with their investments. The Spanish economy also has its sights set on *Cuba*, where Spain is the leading investor, particularly in tourism, both hotels and tour operators. Spain also increased its presence in the food, construction, tobacco and plastics industries in 1998, as well as in other sectors of economic activity.

But the number of Spanish companies that are investing in Ibero-America, and also the number of recipient nations, is increasing. For example, Banco Bilbao-Vizcaya has extended its presence to *Colombia*, *Peru* and *Uruguay*, while the Central-Hispano has expanded into *Bolivia*. Repsol, for its part, has invested over 600 billion pesetas through its subsidiaries and has service stations in *Argentina*, *Peru* and *Ecuador*, in addition to distributing gas to *Bogota*, *Buenos Aires*, *Monterrey* and *Mexico city*. Telefónica signed a contract with the *Peruvian* government in August 1998 to put an end to the telecoms monopoly in the country, where its current investments exceed 300 billion pesetas and it has begun to invest a further 225

EPILOGUE

EPILOGUE (December 1998)

A STRATEGIC OVERVIEW OF 1998

By FEDERICO FERNANDO DE BORDEJÉ Y MORENCOS

The most significant events occurring after the article was completed at the end of December are as follows:

Balkans

Although the 4th meeting of the Peace Implementation Council for the Bosnia and Herzegovina peace agreements, which took place in Madrid in December, was aimed—through the strengthening of democracy, the return of refugees, the establishment of a market economy and the setting up of an independent and multiethnic judicial system—at bringing about the gradual withdrawal of the international community from the country, the fact is that the delicate situation does not allow withdrawal for the time being, unless full tolerance and reconciliation is achieved between the communities. The final declaration merely served to strengthen the role and powers of the International High Representative for Bosnia, Mr Westendorp, who stressed that the next two years will be crucial in building a modern and democratic Bosnia.

In Kosovo, on Christmas day the UCK guerrilla broke the unilateral truce it had upheld since October following the Serbian offensive in the north of the province. Both actions signified a new challenge for the international community, since Belgrade seriously upset the fragile peace

maintained since October while the OSCE observers were incapable of contain-ing the crisis. From whichever angle the issue is viewed, the OSCE's mission is called into question.

Middle East

The early elections in Israel, confirmed by parliament for 21 December, triggered the break-up of the Likud conservative coalition and the emergence of several candidates. This was an explicable incident, given the weakness of the government coalition which has been incapable of imposing on the political class its vision of the peace plan with Palestine, including Mr Netanyahu's refusal to recognise the proclamation of an independent Palestinian state in May next year. This situation is further worsened by the standstill in Israel's withdrawal from the West Bank and the virtual disappearance of Washington's mediation attempts from the scene, owing to the discredit suffered by the United States in the Arab world and the Clinton impeachment hearings. These two factors point to an increase in violence in this sensitive area.

Iraq

As expected, on 17 December President Clinton ordered air raids on Iraq, in which the British RAF also took part. The attacks were carried out on very specific targets for a four-day period and did not have the unanimous backing of the international community or, indeed, of most of the allies. This offensive made it very clear that, whenever it deems fit, the United States will use military force rather than the system of inspections as the most appropriate and effective method of keeping Saddam Hussein under control. The attack likewise put paid to the diplomatic efforts of the UN, whom Washington warned of its decision to use its right of veto if the embargo were lifted. It should also be stressed that NATO dissociated itself from these strikes, stating that it had nothing to do with the way the crisis was being handled, thus revealing its underlying discontent at not having been consulted before the attack.

Russia

Russia and Belarus—which, together with Ukraine, had encouraged the dismantling of the USSR in the past—took the first steps towards reunification at the end of the year by announcing a referendum in 1999. It is reckoned that this announcement conceals underlying objectives and

could confirm that Minsk is the capital of a state that is unviable, in terms of its geostrategic position and ability to develop and consolidate an independent economy free from the influence of its bigger neighbours. In short, its future prospects do not seem bright.

On another note, Moscow announced around the same time that it would be modernising its nuclear arsenal of strategic missiles. This is possible, since the Russian parliament has not ratified the START II treaty on the reduction of strategic nuclear weapons, which has now been approved by the US congress. Russia contends that the difficulty in ratifying the treaty stems from the attacks by the United States and the United Kingdom on Iraq.

Japan

1998 ended with unemployment at an all-time high in Japan, worsening the country's economic crisis. In addition to this negative factor, the bad loans of the 17 major commercial banks to 31 March total some 61 trillion pesetas.

THE BUILDING OF EUROPE

By JAVIER PARDO DE SANTAYANA Y COLOMA

December witnessed many significant events for the European Union. In a co-ordinated decision, all the euro-club countries agreed to lower their interest rates to 3%, where, according to Mr Duisenberg, they should be kept in the near future.

The Franco-German summit at Potsdam revealed a certain lack of understanding between the two countries, though they did agree on some aspects as deduced from their shared wish for the WEU to be integrated into the European Union and from their position regarding employment, which was the subject of a joint proposal submitted at the Vienna summit. Relations between Spain and the United Kingdom continued along the same positive lines mentioned earlier, and the countries also signed a joint proposal on labour, which is a significant fact bearing in mind the ideological differences between their governments. Both proposals were used to draft the related document then signed in Vienna. The Vienna summit again evidenced the lack of agreement over future funding. Spain actively opposed the idea of freezing or eliminating—whether directly, gradually or covertly—the cohesion funds and managed to secure the withdrawal of such proposals and a return to Agenda 2000 as the sole official reference.

The final conclusions, which postpone decision until the March summit, responded to Spain's goal of having the word «stabilisation» removed and established that the basis for future negotiations would be precisely Agenda 2000, as proposed by the European Commission. One of the most encouraging aspects of the final conclusions is that they state the possi-

bility of seeking a solution through other channels that entail increasing the contribution of other «wealthy» countries, apart from Germany.

On the last days of the year Europe awoke sharply from the sluggishness it had displayed during the year with respect to the pending definitions of the European security and defence. Indeed, in December, the French and British proposals for the future of the Western European Union were debated at the Franco-British summit of St Malo before being submitted in Brussels. The situation at year end is that Britain's position is coming closer to that of France and also to that of Spain, which are inclined towards establishing a European defence identity within the EU through a formula that takes advantage of whatever of the WEU is valid. The disappearance of this organisation—which Britain initially advocated in practical terms—thus appears to have been ruled out. The definitive solution must be adopted before the NATO summit in spring, in order to prevent subsequent decisions on the European defence identity from requiring the revision of the new strategic concept, which must be approved on that date and occasion.

The most significant step taken regarding the NATO alliance at the ministerial meeting in December was to approve the detailed implementation plan for the integrated military structure.

As for the Balkan conflict, a major event was the Madrid conference of the council in charge of implementing the peace agreements for Bosnia. The authority of the International High Representative was consolidated and strengthened, and the priority objectives defined were the pending issue of the return of refugees and displaced persons, the structuring of the democratic fabric and the modernisation of the economy in order to be able to gradually reduce external protectorship.

The exchange rates for the euro and the national currencies were set on the last day of the year and are now irreversible. The rate for Spain amounts to 166.386 pesetas/euro and, although slightly lower than analysts' forecasts, is practically what had been predicted since May. There were thus no surprises or controversies. That same day, the Spanish minister of the treasury submitted to EU Council of Ministers Spain's stability programme for the next four years.

CENTRAL AND EASTERN EUROPEAN COUNTRIES

By RICARDO ÁLVARES-MALDONADO MUELA

The following events which occurred at the end of the year are worthy of mention:

Russia's official condemnation—unanimously backed by all the leaders and different political groups—of the attacks carried out by the US and British armed forces on selected Iraqi targets on 16, 17 and 18 December, which Russian president Boris Yeltsin described as a «gross violation of the Charter of the United Nations and the principles of international law».

The Russian defence minister expressed his protest by failing to attend the NATO-Russia Joint Council meeting in Brussels. This stance can be interpreted as Russia's pursuing the same foreign policy line throughout the year of continuing to claim what it considers to be its rightful role of major power inherited from the Soviet Union.

The EU summit held in Vienna on 11 and 12 December decided to postpone the settlement of the pending issues of the so-called «Agenda 2000», particularly those relating to EU funding and their impact on the scheduled enlargement, which will possibly be further delayed.

The related decisions will probably be taken at the forthcoming summit due to be held in March 1999 under the German presidency. Spain stands to lose the structural and cohesion funds it receives—or at least the current amounts.

STABILITY IN THE MEDITERRANEAN

By PEDRO LÓPEZ AGUIRREBENGOA

Turkey

In early December, Bulent Ecevit (of the Democratic Left, DSP), the deputy prime minister of the caretaker government and leader of the Social Democratic Party coalition, was entrusted with the task of forming a new government. By the 21st, however, he had obviously failed in his undertaking, and the president thus invited Yalim Erez, an independent member of parliament and caretaker industry minister, to try his hand. With a more open, progressive approach than Mr Ecevit, he seemed prepared to form an executive that could engage considerable parliamentary support and did not rule out contact with the Islamists of the Facilet party. However, he too was unsuccessful and the president therefore came back to Ecevit on 8 January, after Tansu Ciller (True Path party, DYP) announced she would support a minority DSP government, which is expected to be announced very shortly. The period of 45 days established by the constitution for forming a government expires on 9 January. After that date, if the task is accomplished, the president could, in principle, appoint a prime minister of his choice without having to submit his candidate to a vote of confidence in parliament, something that Mrs Ciller did not seem willing to accept.

Algeria

The appointment of a new government with Smail Hamdani, a career diplomat, as prime minister, gives the impression that the country is con-

tinuing with the line of Mr Ouyahia's former administration. However, the start of Ramadan could trigger more violent terrorist attacks.

Sahara

On 29 December the EU presidency issued a statement reiterating its full support for the UB settlement plan and for the secretary-general's proposal of mediation to settle the differences that persist between the two sides regarding the holding of a referendum, particularly the issue of completing the census of voters and the three disputing tribal groups. It also expressed satisfaction at Security Council Resolution 1215 of 17 December extending Minurso's mandate until 31 January in the hope of conducting further consultations during this period and achieving an agreement.

Iraq

On 12 December, the European Council of Vienna debated the situation of Iraq, condemning its failure to abide fully by its commitments to cooperate with UNSCOM. It also issued a new appeal to Baghdad to comply with the resolutions of the Security Council and co-operate as fully as possible so that the latter, on the basis of a report by the United Nations secretary-general, could carry out a thorough examination of the situation.

Faced with the prospect of being left to agonise slowly under the sanctions and harassment of UNSCOM, whose action, led by ambassador Richard Butler, is perceived by Baghdad as a US ploy to achieve its stated goal of ousting Saddam Hussein, the Iraqi regime seemed to opt for height-ening unrest and confrontation. Mr Butler's final and controversial report was the element that sparked the fresh crisis.

On 16 December the USA and Britain retaliated by launching air raids on Iraq, which ended just at the beginning of Ramadan and, by curious coincidence, the very day that the Senate voted that Mr Clinton's impeachment proceedings should go on to the Congress

The action of the allies, justified by Iraq's obstinate failure to meet its international obligations regarding the UN resolutions—there is general consensus regarding the requirement to comply with them and condemnation for failing to do so—took the Security Council by surprise precisely when it was debating on the issue of Iraq, a fact which to a degree questioned the role of the UN. It also coincided with the aforementioned im-

peachment proceedings in parliament and, following Mr Clinton's return from his trip to Gaza and Israel, some substantial achievements, particularly for the Palestinians. However, Mr Clinton did not succeed in obtaining a change of attitude to enable the implementation of the Wye Memorandum to be settled once and for all.

The foregoing gave rise to different interpretations and reactions to the Iraq crisis, even in certain political circles in the US, as well as questioning of the appropriateness of US policy which, in the opinion of some, lacked a global strategic design and dual yardsticks needed to deal with instability factors that affect the complex area stretching from the Mediterranean to India.

The allies declared that their chief aim was to cause maximum destruction to Iraq's nuclear, biological and chemical military capacity and to prevent the country from again threatening its neighbours. However, it was no secret that there was a further aim, and indeed, the stance of «double contention» which in itself goes beyond the scope of the UN resolutions concerning Iraq, has developed into a final goal which is none other than overthrowing the Iraqi regime. Moreover, Iraq's capacities are confusing and the results of the allied action, together with Iraq's hardened stance regarding the perpetuation of the sanctions and the return of Unscm in its former composition, point to a standstill in political solutions and fresh outbreaks of violence. During the first days of the new year the no-fly zone was the scene of incidents and there is a question mark hanging over why the same treatment is not applied to the arsenals of unconventional weapons that other countries in the area are commonly known to have. The UN secretary-general repeatedly expressed his unease, distancing himself from the US policy towards Iraq by pointing out that according to Resolution 687 of the Security Council (1991), whereby a ceasefire was declared and sanctions imposed, Iraq was bound only to fulfil disarmament obligations and no other conditions as the US suggested.

It again became clear that Jordan was concerned about the possible consequences the crisis could have both on the domestic situation and petrol supplies and on the subsequent delay of the MEPP. The destruction of part of Iraq's economic infrastructure, such as the Basora refinery—justified by the US on the grounds that it was used to channel illegal exports—could render ineffective the UN-endorsed «oil for food» policy and ultimately harm the Iraqi population, strengthening their nationalist sentiment. For some, the possible elimination of Saddam Hussein would

simply usher in a period of internal struggles and unforeseeable consequences. Russia took a critical line with the allied unilateral military action and did not conceal its belief that the crisis had been artificially provoked, criticising the role of Unscm (the Butler Report), as did China and—albeit more mutedly—France, among other members of the Security Council. The Palestinian leaders found themselves in an uncomfortable position, like many of those in the Arab world since, although they are opposed to the Saddam Hussein regime, the public opinion in those countries continues to display solidarity towards the Iraqi people in reaction to what they perceive to be an abuse of western political power vis-à-vis Arab nationalism, although the visible protests were more tempered. Europe showed solidarity with its western allies, while displaying doubts about how to classify the military action and its consequences. In short, the crisis remains latent and the military action has made a political solution a more distant possibility.

Western Balkans

The European Council underlined the need for the two sides involved in the Kosovo crisis to comply fully and immediately with United Nations Security Council Resolutions 1160, 1199, 1203 and 1207, in order to achieve a peaceful settlement of the conflict. Regretting the lack of commitment of either side to supporting the negotiating process, it appealed to the government of the RFY and to the Albanian leaders of Kosovo to show flexibility in the talks needed to reach an agreement on the future status of Kosovo. It also confirmed the EU's determination to support the political process and contribute to the humanitarian efforts and, when the parties reach such an agreement, to help rebuild Kosovo, even through a donors conference.

However, there was a renewal of military action around Christmas, particularly on the part of the Serbs.

The Madrid meeting (15-16 December) of the Peace Implementation Council opened up encouraging prospects for normalisation in Bosnia and Herzegovina.

Peace Process in the Middle East

The Vienna European Council welcomed the Wye River Memorandum of 23 October 1998 and, while taking note of the headway made by both parties in implementing it, condemned the recent violence,

mutual recrimination and the establishment of new conditions (on the part of Israel) that threatened to ruin it. It likewise appealed to the parties to display moderation, abstain from unilateral action and fully implement the remaining provisions. The historic visit paid by the US president to Gaza, as mentioned earlier, marked a pat on the back for the Palestinians, who were fulfilling through their National Council their pledge to annul solemnly the provisions of their constitution that were contrary to Israel, and a new period of relations with Washington. However, neither in the tripartite meeting with prime minister Netanyahu nor in the Jerusalem stage was it possible to overcome Israel's refusal to make further headway in implementing the territorial redeployment provisions and other key aspects such as freeing prisoners, settlements and action in East Jerusalem. Israel's new demands practically brought the subsequent implementation of the Wye and Oslo commitments to a grinding halt.

On 21 December, the Israeli Knesset passed at first reading and subsequently approved on 4 January a bill enabling the elections for parliament and prime minister to be brought forward. These are slated for 17 May and 1 June 1999. Furthermore, on 20 December, the government had approved and submitted to parliament the 5 new conditions to be required from Palestine in order to continue to implement the Wye agreement (such as publicly renouncing a state with a capital in Jerusalem), but the motion was defeated. This decision set the pre-electoral process in motion, the immediate consequence being the announcement of new candidates for prime minister from the two major parties and plans to set up new centrist splinter groups from both. The first opinion polls do not favour Mr Netanyahu's standing for another term, though the electoral scene in Israel is always full of surprises; five months in the Middle East can be changeless or else an eternity... In any event, on this occasion, more than ever before, the election campaigns will focus on the peace process and will, perhaps, be the last opportunity for achieving a negotiated settlement.

The foreseeable result is that the peace process and implementation of the Wye accords will suffer the paralysing—or perhaps even radicalising—consequences of the electoral process, with unilateral Israeli measures on the ground, giving Palestine particular cause for concern. The now acting Netanyahu government has confirmed its intention to freeze the Wye memorandum. Another hint of things to come was the draft adopted at first reading by the Knesset of a new bill requiring any return of the territo-

ries in the Golan Heights and East Jerusalem to be approved by an absolute majority of the parliament, followed by a referendum.

IBERO-AMERICA

By JOSÉ SÁNCHEZ MÉNDEZ

As regards the economy in general, the World Bank's *Global Economic Forecasts for 1999*, published at the beginning of December, predicted a mere 0.6 percent growth in the Ibero-American economies and considered that Brazil, already hit by recession in late 1998, would continue to report negative growth the following year. In this respect, at the end of December the Brazilian government admitted that it would not be able to meet the year-end external deficit target agreed with the International Monetary Fund of under 4.2 percent of its GDP. Furthermore, the downward trend in oil prices worsened the Venezuelan economy's loss of revenue from oil sales, which will amount to over 8 billion dollars. Nonetheless, on 27 December the government of Honduras announced the condonation of 65% of its external debt with major international finance institutions—some 2.8 billion dollars, which will go towards rebuilding the country after hurricane Mitch.

While the outcome of the meeting between the three state powers and the main guerrilla in *Colombia*, held in Caquetá, in the south of the country, in late November, was not as good as expected, both President Pastrana and the Revolutionary Armed Forces of Colombia, FARC, confirmed that 7 January would be the date for the intended meeting between the head of the executive and the leader of the FARC, alias *Tirofijo*, aimed at signing a peace agreement. At the end of the year a violent armed clash broke out between members of the FARC and the United Self-Defence, AUC, paramilitary group, in which dozens of people died. The death of AUC's leader, Carlos Castaño, was not confirmed.

As expected, former lieutenant colonel Hugo Chávez won the presidential elections in *Venezuela* with 60 percent of the vote. The new president confirmed that his main priorities would be to combat tax fraud, renegotiate external debt and introduce a new oil policy. In mid-December, Mr Chávez, who defined himself as a firm believer in democracy, was granted a visa to travel to the United States and made a tour of Argentina, Brazil

and Colombia, followed by Mexico.

Although the British home secretary, Jack Straw, authorised the start of the process to extradite general *Augusto Pinochet* and on 10 December Spanish judge Baltasar Garzón issued an indictment order, the house of lords allowed the appeal of the Chilean general's lawyers to annul the previous ruling rejecting his sovereign immunity. As a result, the lengthy proceedings will start all over again in early 1999. The Pinochet issue has clouded relations between Spain and Chile. The Chilean foreign minister, José Miguel Insulza, accused the Spanish government of violating point eight of the Oporto Declaration of the 8th Ibero-American Summit which calls for «respect for the national sovereignty of the states and firmly rejects the extraterritorial application of national laws....», warning that «Chile will be giving consideration to attending an event where a document is signed on the 18th and violated the following day». At the same time, the Chilean senate passed a resolution expressing its «most outright rejection of the Spanish government's attitude in starting to process the extradition request for senator Augusto Pinochet». However, this did not prevent the Chilean speaker from making an official visit to Spain several days later to attend a meeting with José María Aznar.

In Paraguay general Lino Oviedo could return to prison after the supreme court of justice annulled the decree of president Raúl Cubas granting him freedom. This could trigger a serious power clash, since Raúl Cubas has stated that this judicial measure is unconstitutional since it undermines the powers of the president of the republic.

1998 ended with a new overture by Fidel Castro to John Paul II, when he declared that Christmas Day would thenceforth always be a public holiday, after 29 years of prohibition.

COMPOSITION OF THE WORKING GROUP

Co-ordinator: D. JAVIER PARDO DE SANTAYANA Y COLOMA
Army Lieutenant General (Rve)

Secretary: D. ALEJANDRO CUERDA ORTEGA
Captain (Rve)

Members: D. RICARDO ÁLVAREZ-MALDONADO MUELA
Vice Admiral (Rve)

D. FEDERICO FERNANDO DE BORDEJÉ Y MORENCOS
Rear Admiral (Rve)

D. PEDRO LÓPEZ AGUIRREBENGOA
Ambassador on Special Mission for Mediterranean Affairs

D. JOSÉ SÁNCHEZ MÉNDEZ
Air Force Major General (Rve)

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*Out of print. Available at specialised libraries and at the Centro de Documentación of the Ministry of Defence.