

CHAPTER TWO

THE BUILDING OF EUROPE

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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 Pörtschach 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.