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1999 / 2000 STRATEGIC PANORAMA

INSTITUTO ESPAÑOL DE ESTUDIOS ESTRATÉGICOS

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1999 / 2000 STRATEGIC PANORAMA

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1999/2000 STRATEGIC PANORAMA

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INTRODUCTION

INTRODUCTION

This third consecutive issue of "Panorama Estratégico" marks the definitive consolidation of this annual publication, the English-language version of which made its appearance on the international scene last year.

The adoption of the single currency at the beginning of the year confirmed Europe's role as a major economic power and led to the launching of a second stage in the building of Europe, in which political development and the establishment of a common foreign and security policy—not considered possible without an appropriate defence capability—is a priority aim. The year ended with a brilliant summit where it was decided to promote the full expansion of the Union and include Turkey.

As regards conflicts, special mention should be made of the so-called Kosovo "war", which demonstrated the capacity of the Balkan region to generate problems. The Kosovo conflict speeded up the process of creating a European defence identity, which gathered considerable momentum during the year and led Europe to define the force that will provide the required military capability. This impetus partly came from the change of political stance shown by the United Kingdom in its attitude to building the Union.

The United States continued to enjoy a period of rapidly expanding economic growth and showed that its interest in other areas of the world does not prevent it from valuing the trump cards that our continent holds.

Russia continued to pursue its usual disconcerting policy, combining gut reactions of "major-power" pride with pragmatic actions in its relations with the western powers. Chechnya was, once again, the cause for greatest concern, which it addressed energetically and effectively this time round, though with scant democratic sensitivity. The entente established

with China at the December presidential meeting in Beijing to set up a "united military force" constitutes a Sino-Russian front designed to prevent the two countries from becoming isolated, following the criticism they have received for their repression of internal dissidence.

In Asia, the wrestling match between India and Pakistan and the mutual exhibition of their capacity for reprisal in the Kashmir dispute were a reminder that the nuclear problem continues to be an issue and alerted the world once again to the dangers of proliferation of weapons of mass destruction.

China continued on its own particular course of development. The bombing of its embassy during the Kosovo "war" caused relations with Washington to become extremely tense, though they were soon re-established.

No major changes were observed during the year in the degree of conflict or development of the African nations. There were, however, some interesting changeovers, such as those witnessed in the South African presidency and the Moroccan monarchy. The latter arouses hopes of a shift towards a deeper democracy.

The independence of the formerly Portuguese East Timor was another major event of the year. The possible exemplary significance of this secession for the complex Indonesia, under constant threat of fragmentation, aroused reactions that triggered a conflict with world-wide repercussions, although it only warranted the intervention of United Nations regional forces.

The problems caused by the recession in some of the Pacific and Latin American countries in 1998 seemed to improve during 1999. In any event, Europe's timely adoption of the single currency enabled our continent to face them without major traumas.

The course of democratisation and progress in Latin America continues to come up against stumbling blocks such as Cuba and serious economic and social problems that were worsened by the meteorological disasters and the difficulty of eradicating violence, which has escalated to alarming levels in some areas. Venezuela embarked on a populist experiment to breathe new life into the political scene, the results of which have yet to be seen.

The failure of the World Trade Organisation's preparatory summit for the so-called "Millennium Round" brought to light the clashing attitudes of

the European Union and the United States in some matters and the differences between the developed countries' approach to globalisation and the interests of the undeveloped or developing countries with respect to this process. This problem shows that we have reached a critical moment and need to face up to the major challenges the future holds in store.

Throughout 1999 Spain took the initiative in a great variety of fields, from its staunch defence of the values of solidarity that inspire the European project to the holding of the Tampere summit aimed at establishing a common legal framework for the Union. Spain likewise played an active part in the Balkan conflicts and continued to enhance its significant, growing presence in Latin America, despite the setbacks caused by certain judicial initiatives.

THE CO-ORDINATOR OF THE WORKING GROUP

CHAPTER ONE

A STRATEGIC OVERVIEW OF 1999/2000

A STRATEGIC OVERVIEW OF 1999-2000

By F. Fernando de Bordejé Morencos

A CHANGING WORLD AT THE TURN OF THE 20TH CENTURY

Although the political and economic leaders who met at Davos in January recognised that interest-rate stability was desirable, they failed to agree on a system to limit fluctuations between the euro, the dollar and the yen. This highlighted the fragility of globalisation, the imbalances it creates and the opposition of some sectors of society.

In this connection, the proposal tabled at the February G7 meeting to set up a financial Stability Forum capable of preventing crises such as those of Asia, Russia and Brazil did not prosper owing to US opposition and Japan's lack of interest. The attempt to establish a stable monetary system to protect the economy from the emergence of unexpected crises thus failed. This was, perhaps, what led the G7 in April to try to reduce the differences between members' economic growth, bearing in mind that the euro's weakness throughout much of the year was largely due to the fact that the EU countries had overvalued their currencies prior to January 1st.

Taking up an issue that had already been addressed at the aforementioned G7 meetings, the IMF, as part of its idea to reform the financial crisis-prevention system, proposed that private investors should maintain their investments during hard times and that preventive loans should be granted to countries showing signs—but not clear symptoms—of sliding into recession, though this aid should be in keeping with the dictates of the IMF and its recipes for economic adjustment packages.

The project to create a European stock market, agreed at Madrid in May, was aimed at ensuring that the future European market of the euro is capable of competing with the current supremacy of Wall Street without feeling inadequate. In the opinion of some, this project will be difficult to get off the ground, not only because of the traditional rivalries between the different European bourses, but also for technical reasons, as European regulations on financial operations continue to be very different, and harmonisation would lead to a long and complex process in which many technical, political and even electoral factors come into play.

Although France put a damper on the creation of the MAI within the OECD, there appears to be a resurgence of interest within the WTO. This organisation, which is growing stronger and more powerful every day, will attempt to consolidate the MAI in the Seattle negotiations in 2000 as part of the proposed Millennium Cycle.

In the Seattle talks the WTO will seek to transform the meeting of its 132 members into a demonstration of globalisation in which agreements will be reached on everything—agriculture, investments, market control, etc. The idea is of a single commitment, with rules that encompass all human activities and oblige all players, who will not be given the possibility of opting out or choosing. This is very serious indeed, since many countries are incapable of carrying on such complex negotiations on so many issues, and there is no way of predicting how this will affect the sovereignty of these states. In this connection, the US proposal that the WTO should supervise labour rights during the process of expansion of trade and economic globalisation has already triggered a major controversy in developing countries, which consider that linking trade to labour rights is a protectionist weapon used by the developed countries. This proposal was discussed at Seattle.

Furthermore, it proved difficult to reach consensus in the preparatory work for the summit, owing to the deep differences of opinion on a variety of issues in many fields—agriculture, protection mechanisms and reducing barriers to trade in goods and services, etc. It was feared that these differences would jeopardise the Millennium Round and consequently delay the liberalisation of trade and the establishment of rules. Meanwhile, Spain showed its concern about farmers' interests and was prepared to veto the Round if the USA tried to impose liberalisation on the fishing industry.

While the plan to grant greater power to the WTO is going unnoticed, the same cannot be said of the G7's decision at Cologne in June that developed countries should cancel part of the poorest states' debt. This aroused great enthusiasm from public opinion, although it was not explained that the proposal did not include the sums owed to the IMF and WB, which never relinquish collecting their debts. This measure, which was taken at Cologne, will account for a meagre 2% of the total debt of the underdeveloped world. At the same meeting, without specifying figures, it was decided to help Russia, a country that asked to be considered not as a minor or guest partner but as a member of the G8 club owing to its importance and leading role played in the Kosovo crisis.

On another note, as we turn into the next century, globalisation, which sweeps away factors and differences of all kinds, will be associated with a world that is no longer based on differences between North and South or East and West. The growing number of states—the figure currently stands at about 200—and the fact that only a few of those that have emerged from decolonisation have achieved a level of development comparable to that of the West means that most of this world will continue to carry no political weight on the international scene, a fact that worsens clashes and tensions. What is more, we will see an increase in the separatist tendencies witnessed in many states in all five continents: Indonesia, the Caucasus, the Balkans, Quebec, India, Pakistan, Tibet, Turkey, etc. It is in this that another serious threat to world stability lies. This situation could give rise to new ungovernable entities whose survival is precarious, precisely at a time when globalisation, which is leading to a closely inter-linked world, is attempting to promote supranational bodies as a means of establishing itself in the new century. For the classic indicators of power, such as geographical area, population and richness of resources, are no longer meaningful, as a number of vast, populated states with considerable resources are among the poorest.

THE YEAR OF THE EURO AND OF FUTURE EUROPEAN DEFENCE

In January Germany took over the EU presidency with an ambitious programme—the so-called Agenda 2000—that included twelve ministerial conferences, one summit, guidelines for financial reform and legal instruments for new accessions, among other matters. Germany's new generation of politicians approached the presidency with a certain amount of improvisation, launching generic ideas without defining objectives or

having reached consensus at home, to judge from the woolliness of the European employment guidelines adopted by the Fifteen in Luxembourg last year; or from Mr Lafontaine's peculiar ideas of tentatively reviving Keynes, which were rejected by the ECB, the guardian of monetary orthodoxy.

Furthermore, the euro was born on January the first and will come into force in June 2002 after a period of adaptation. It is hoped that this will put an end to dollar's current hegemony, which is out of keeping with the weight of the US economy and its volume of trade, although the euro fell against the dollar throughout the year.

Around this time, the European Parliament tabled a motion of censure against the Commission and its president Mr Santer for mismanagement of the 1999 budget. The tension mounted when it accused some commissioners of corruption. Despite fears that this amounted to a surreptitious attack launched by Germany against the Commission, there was some truth in the allegations of their outdated and careless handling of affairs. The motion came as a lesson to the EU executive and to the bureaucracy of civil servants and committees that have lost touch with everyday reality, and strengthened the authority of the Parliament, the only body whose members are chosen by vote. It is hoped that in future the community institutions will be less opaque in their working.

At the Petersberg summit in February, Mr Aznar proposed setting up a fund to compensate Germany for the burden of immigration and maintaining the structural and cohesion funds. However, the summit was a resounding failure, as for some time now Germany has been aiming to get more for less. This stance is influenced by Mr Kohl's economic policy during his last stint, which led to a rise in unemployment, a tendency towards budget deficits, an increase in government borrowing and a slowdown in the improvement of the eastern Länder.

Fortunately, the agricultural agreement reached in Brussels in March reflected most of Spain's demands. It was agreed that the reform of this sector would be discussed by the heads of government, who were to meet at Berlin later that month. The net balance approved for the period up to 2000 was positive for Spain, and beneficial to most of its autonomous regions. The *Financial Times* pointed out that Spain and the United Kingdom had clearly come out on top, and Ireland was among the losers.

On another note, although the proposal submitted by Germany, also at Berlin, to give the EU a new military dimension (which entailed inte-

grating the WEU into the EU and providing the latter with new institutions), went down well in Paris, it was rejected by the British and the Dutch, who for the time being were opposed to any kind of autonomous military organisation.

As an emergency measure, the Fifteen appointed the former Italian prime minister, Mr Prodi, as the new President of the Commission. This decision, which was endorsed by the Parliament in September, afforded prestige to the leadership of Mr Schröder, who successfully resolved this special institutional crisis before the negotiations became entrapped in the labyrinthine issues of Agenda 2000.

May 5th marked the 50th anniversary of the signing of the treaty establishing the Council of Europe. If we consider that the euro affords the EU an enormous amount of authority in the economic sphere, that the European Parliament is noteworthy as a democratic institution and that OSCE competes with the Council at pan-European level, while the EU seeks its own identity and NATO continues to be the only truly tangible defence pillar, the Council of Europe may take pride in having been the only post-war institution that created channels for dialogue in areas as varied as culture, heritage and, local authorities, etc.

The European People's Party achieved a majority in the European Parliament elections in June, emerging as a powerful opposition to the predominately socialist governments of the Fifteen. Mr Blair's "third way" had disappointing results compared to the victory secured by Mr Jospin's left in France, while the German and Italian governments took a battering. It is curious that eighteen different Italian parties should have stood for the elections to Strasbourg where, towards the end of the year, it was announced that the budget agreed by the heads of government for the next seven years would have to be revised, as the amounts negotiated could not match the EU's ambitious foreign policy.

At the 73rd Franco-German summit in May, it was proposed to submit a project for creating the European defence pillar at the Cologne summit in June. However, all Franco-German initiatives in this field have in fact failed because, deep down, Germany is keen to preserve its privileged relations with the US through NATO, whereas Paris is bitterly silent after proclaiming Europe's wish for its own nuclear arsenal.

Admittedly, there were three different views of European defence. On the one hand, an autonomous Europe with a common policy, independent

of Washington as regards military matters, in which the WEU could become the EU's military wing, which is the position upheld by France. On the other, there is Europe as a merely economic power, satisfied with being part of NATO, which is the traditional British position. And, lastly, the idea expressed at the Helsinki summit in October by Sweden and Finland of basing the EU's security policy on humanitarian and civil activities. All these conceptions lack collective planning—a fact which explains why the EU really has no political presence in the face of international conflicts and problems. Suffice it to recall Kosovo, the Middle East and East Timor. Perhaps this situation will change now that Javier Solana is in charge of foreign and security policy, as he himself has implied. His appointment at the Cologne summit in June was acceptable to all and raises hopes that Europe will become a more active and influential world power.

As expected, the agreements reached at the Cologne summit meant that the defence of Europe will, for the time being, continue to be guaranteed by NATO, although the EU and the member states that do not belong to the alliance will be able to perform crisis-management and peacekeeping tasks in Europe. Mr Blair was extremely clear when he stated at the summit that NATO is the cornerstone of any defence approach, not to mention a European army. As things stand, Europe lacks the means to achieve military independence from the USA, and the question we should ask ourselves is not whether the Fifteen want, but whether in the short or medium term they can actually aspire to, a more or less autonomous defence capability. Kosovo was the most palpable example, since, as the British foreign secretary Mr Cook stated, scarcely 2.5% of the European forces were available as operational forces.

Nonetheless, at their meeting in Luxembourg in November, the European defence and foreign ministers made an assessment of the military resources the EU could rely on in future for peace operations, without considering the US. It was warned that although the means are available, they are still more suited to cold war requirements (large numbers, low mobility, designed to ward off a Soviet attack, etc.). This summit was followed by the Anglo-French and Franco-German meetings on security problems, which were designed to lay the foundations for collaboration plans. A Defence Council was set up and it was made very clear that, as long as Europe remains technologically dependent on the US and has yet to properly establish a military industry policy capable of unifying its communications, logistic and weapon standardisation systems, the problem should not be limited to having large joint military units. A case in point is the

European aeronautics sector, where, on the one hand, there is the British and Italian industry and, on the other, the agreement signed in Madrid by France, Germany and Spain to set up a new aircraft production consortium.

Despite this state of affairs, France and Germany presented a project at the Helsinki summit to set up a European defence organisation parallel to NATO, explaining, however, that this would in actual fact complement the alliance. They also stressed that it was time to accept that the WEU will be integrated definitively into the EU. This ambitious project, which would enable Europe to lead its own military operations, although desired by the European members of the alliance, actually stems from an objective France has been pursuing for twenty years, and it is not known how this will affect the Atlantic alliance over time.

The meeting between the EU and Mercasur in Rio de Janeiro paved the way for a future single market with the North American Free Trade Association, in keeping with the WTO rules.

As regards EU enlargement, September saw two significant events. The first was the decision to open full negotiations with all candidates, but without grouping them all together in the same batch: the target dates were set at three years' time for Hungary, the Czech Republic, Poland, Slovenia, Malta and the Baltic States, and six for the rest—Romania, Bulgaria and Slovakia—with a question mark hanging over Cyprus. The second was linked to the EU's idea to offer Turkey candidate status at the Helsinki summit in December, influenced by Greece's new and clearly more relaxed position following the meeting of the respective foreign ministers at Saariselk, although Athens wants a "European strategy" to be established for any decisions made on the Turkish candidature. Nonetheless, such good intentions may be clouded by the development of the Cyprus crisis, Turkey's political future and the final decision the Turkish government and parliament take on the death sentence of Kurdish leader Ocalan.

The Austrian elections in October had a negative impact on the EU owing to the emergence of the xenophobic and anti-European Freedom Party as a major political force. We must therefore pay attention to further developments.

At the Tampere (Finland) summit in October, the proposal made by Madrid and London to the Fifteen to create a single area of freedom, security and justice, ceding sovereignty in those fields, was successful, al-

though its effects will not be seen until several years' time. By contrast, Germany's request to share out its intake of Balkan refugees between other partners was denied.

As a result of the OSCE summit in Istanbul, a new CFE Treaty was sealed on the control of conventional forces in Europe. The treaty establishes country and regional limits on the deployment of forces and their verification and inspection. The first cracks appeared in this treaty, which was the only binding document to stem from the summit, soon after it was signed, when Russia breached the national ceilings—which was why Presidents Clinton and Chirac were sceptical about compliance with the treaty. Furthermore, the references to Chechnya were highly ambiguous, being limited to the desire to find a political solution. The United States clearly did well by the summit, as an agreement was signed to transport gas and oil from the Caspian Sea outwards across Turkey (via the oil pipeline between Baku and Ceyhan in south Turkey and the gas pipeline that will cross the country from Turkmenistan). This avoids the need for these products to cross Russia and Iran and will enable the US to enhance its influence in the region. Spain was pleased that the Security Charter signed at the summit expressly condemned all forms of terrorism.

As for the EU member states, significant events that deserve a few brief remarks occurred in three of them. In Germany, the fall of Chancellor Kohl brought Gerhard Schröder to power at the helm of a coalition of Social Democrats, Greens and former Communists. His cabinet did not define itself as left-wing, but aimed to take a central position. Oskar Fontaine, a former aspirant to the chancellorship, was made finance minister and presented a very radical programme designed to stimulate internal demand while applying a restrictive economic policy. It also included an ecological tax to reduce companies' energy consumption and protect the environment, the elimination of nuclear energy (part of the Greens' programme), a new law on double nationality, lower interest rates to encourage consumption and combat unemployment, an appeal for a reform of the IMF, etc., as well as criticisms of the European Central Bank. These ideas angered businessmen, trade unions and Conservatives, who managed to get Chancellor Schröder to reject the programme, leading Mr Lafontaine to hand in his resignation and the Greens to resign themselves to seeing their proposals put on ice, becoming mere instruments of a liberal policy.

It is not really known whether Mr Lafontaine's voluntary resignation was sincere or a tactical manoeuvre that was part of a ploy to make a

comeback in the near future, as his disagreement with Mr Schröder in economic matters is a well-known fact. His departure facilitated a shift to a more orthodox economic policy designed to foster sustained growth and a fiscal policy focusing on budgetary adjustment. This has not prevented the chancellor's popularity from waning, as evidenced by the results of regional elections in Saarland, Thuringia, North Rhine, Berlin, Westphalia and Baden-Wurttemberg, which, although disappointing, will not, as he stated, cause him to alter his reform policy. The "adapted third way" obviously does not yield results in Germany.

A historic event occurred in May when Scotland and Wales voted for their first parliaments. Although these countries have less autonomy than the Spanish regions, this was the biggest constitutional change in the United Kingdom since Ireland gained its independence. It was, perhaps, surprising that Mr Blair should have decided to take this step without the pressure of terrorist movements and despite the fact that the nationalists had never achieved a majority, but he was aware that out-and-out centralism is anachronistic at the threshold of the 21st century.

Three weeks before London was due to devolve power to the new Belfast assembly, new tension prevented this from occurring on 10 March as scheduled, when the Unionist parties refused to form part of the new government unless the IRA surrendered its weapons. These unyielding attitudes and the failure of the Adams-Trimble meetings led Mr Blair to set a new date, June 30th, warning that if no cabinet were formed this time the peace process would reach an impasse owing to the precariousness of the situation. However, there had been no changes in the situation when the deadline arrived, and the British and Irish prime ministers proposed a total review of the peace process. Fortunately, thanks to US mediation, Unionists and Republicans reached an agreement at Belfast whereby Sinn Fein promised that the IRA would hand over its weapons the following year and the Unionists promised not to hinder the formation of a regional government, the date for which was set for 30 November.

SOME REMARKS ON THE ATLANTIC ALLIANCE

The accession of the Czech Republic, Hungary and Poland redressed a historic injustice: having left part of Central and Eastern Europe as the USSR's hostages during the cold war. Nevertheless, their accession raises certain questions, the most important being how far can NATO grow with-

out compromising cohesion and operational capacity? For enlargement should not be undertaken at any cost; rather, its members should share the same values and willingness to take on the same responsibilities. As was to be expected, while Russia was unable to oppose these accessions, it did insist on a change in the Conventional Forces in Europe Treaty, in order to limit the deployment of weapons in the new partners' territories. This issue was discussed at the OSCE meeting in Istanbul, where Russia made it clear it that was totally opposed to the possibility of the former Soviet republics joining NATO.

The aforementioned enlargement was accompanied by a resolution on the progress of the alliance and its new strategic doctrine, both of which were approved at the Washington meeting on 24 April, on the commemoration of the 50th anniversary of the founding of the organisation. A series of guidelines and principles were drawn up, the most noteworthy being: a) the decisions of the alliance are independent of any other forum such as the UN, OSCE, etc., although any action should be taken in accordance with the Charter of the United Nations; b) Russia does not have the right to veto such decisions; and c) if there is consensus among partners, NATO may commit itself to actions beyond its own territorial sphere, in the so-called Euro-Atlantic zone, an area close to the interests of the member states and their 24 partners. However, the US would have liked the alliance to take a more prominent role in other sensitive areas, such as the Middle East, as it considers that the instability of such areas affects Europe's security. The US renewed its leadership, including the high commands, and requested that the military and financial burden should be shared out more equally in future, pointing out that enlargement should not entail increasing America's contribution to the alliance's budget. Finally, Mr Clinton announced that he would have to consult the Senate about further enlargement, dodging the question of new accessions.

There was also concern about reforming the European Security and Defence Identity without jeopardising the transatlantic link. This idea met with misgivings from Turkey, which is afraid of being ostracised for not belonging to the EU, although as a precaution it was agreed to seek formulas to enable both Turkey and Norway to participate in some way. It is clear that, for the time being, the ESDI is no more than a good intention to be developed in the future.

For its part, Spain advocated strengthening relations with the Mediterranean countries, progressing from just dialogue to co-operation, and

extending the NATO programmes currently offered to members of the Partnership for Peace scheme to the coastal states. As for renewing the strategic concept, Spain considered it should be incumbent on the UN Security Council to settle international disputes and, if this were not possible, the alliance should take a secondary role in protecting human rights and in humanitarian affairs.

The decision taken by the US Senate in October not to ratify for the time being the Nuclear Test-Ban Treaty that had already been approved by its European NATO partners could, on the one hand, trigger tension within the alliance and, on the other, lead certain indecisive states to follow suit, encouraging them to develop nuclear weapons, undermining the positive effect of the Non-Proliferation Treaty and disarmament negotiations.

Javier Solana's place as the organisation's secretary-general was taken by Lord Robertson, a Briton and staunch NATO supporter and Europhile, who will undoubtedly endeavour to make Europe's future defence credible.

Javier Solana, who asked the Fifteen to increase the budgets for their armed forces if they truly wished to organise their own peace operations without depending on the US, was likewise appointed secretary of the WEU, and will be responsible for integrating this organisation into the EU.

AMERICA STRIDES CONFIDENTLY INTO THE 21ST CENTURY

In Washington, the trial of President Clinton engaged the Senate to sit as a jury, something that this house had not attempted since President Andrew Johnson's impeachment in 1868. Many saw this as a direct attack on democracy, which was, however, saved by the wise Constitution. It thus became clear that there are two more powerful elements than politics in the United States: the media and Justice.

Defying those who maintained that this would be his political demise, Mr Clinton presented the country with a legislative agenda that won popular support and contained social issues, new rights and an increase in the Pentagon's budget, as well as appropriations for building an antimissile system.

America's economy continued to grow and by the end of the 3rd quarter its GDP had climbed to 5.5%—almost unheard-of for an industrialised country and well above forecasts and predictions. Indeed, this would have been cause for alarm had it not been released together with wage and pro-

ductivity figures, which reflected a slight increase in labour costs. These data eased fears that the strength of GDP would eventually lead to an overheating of the economy, generating inflation and an alarming rise in interest rates. To this should be added the stability of consumption, equivalent to 2/3 of GDP, which again offset the fall in exports vis-à-vis the increase in imports. This scenario, together with the fact that the Japanese economy was back in shape, as forecast, enabled the IMF to make an upward adjustment to its growth forecasts for the world economy and confirmed the US's role of driving force, at a time when the major European countries are proving less capable of generating sustained growth (2% in the EU).

Nonetheless, the chairman of the Federal Reserve has warned of the dangers if consumption were to shrink and protectionism increase, and regrets the weak support the government gives to the liberalisation of trade, which has led to a big trade deficit, the biggest in history. This trend had not disappeared by the end of 1999. Mr Clinton used this argument at Seattle to put an end to protectionism in world trade.

As we turn into the 21st century, America will continue to enjoy supremacy. Indeed, it can be said that for many decades no rival will emerge in the military, technological and economic fields, though the EU could eventually match it in the latter in the medium term. These prospects, together with the disappearance of the USSR, could, of course, have a negative effect and begin to encourage America's traditional isolationist tendency —an example of which could be Congress's willingness to slash foreign investments—and cause it to overlook the fact that, without resources, it will be difficult to ensure leadership and sustain its hegemony by focusing its world-wide strategy on certain key states.

In the military sphere, the new US guidelines and strategic approaches became more and more evident as the year progressed. These include reviewing deployment on potential theatres of operations, fine-tuning new generations of weapons, communications and intelligence, and the new law endorsed by the president to finance a missile defence system, with offers from Japan and South Korea to collaborate in some of the seven systems currently in gestation. These measures are designed to ensure its rank of superpower and, to an extent, prevent the emergence of a rival like the former USSR.

The devastating Cox report disclosed that for two years Beijing has managed to obtain valuable nuclear information on the design of an

enhanced neutron bomb and new missiles with an anti-satellite capability. It accused the Clinton administration, which had benefited from a series of illegal donations made by China to help get the president re-elected, though Beijing logically denied these allegations, dismissing them as defamatory attacks designed to divert attention away from the bombing of the Chinese embassy in Belgrade. But the reality, as evidenced during the parade to commemorate the founding of the People's Republic, is that China seems to be the only country that will be capable in the medium term of opposing the technology deriving from the Strategic Defence Initiative. This will incidentally enable it to assert its influence in the Asian area and emerge as the major power that has taken over from the USSR.

There was a certain amount of controversy in the US when it became known that, although the cold war was over, the military and industrial complex that President Eisenhower denounced in his day continues to be alive and kicking. Indeed, this complex is a convergence of interests of the major armaments and defence industry and threatens to constitute a state within a state. The controversy arose in July this year when the Pentagon admitted that funds had been channelled into projects not approved by Congress, among others, a top-secret Air Force programme called "Black Program", the purchase of a communications satellite and appropriations to build a new transport aircraft.

As pointed out earlier, while the US was unable to prevent the nuclear monopoly of the two post-war superpowers from being broken and made every effort to curb proliferation, the decision taken by the Senate in October not to ratify the Nuclear Test-Ban Treaty was clearly motivated by the Republicans' electoral aims and a desire to castigate the president. This treaty, which has been signed by 154 countries, including the US's NATO allies, can influence US defence programmes. The decision was untimely insofar as it coincided with the military coup in Pakistan and dealt a blow to America's international prestige, which was already tarnished by the country's refusal—albeit belatedly amended—to settle its debts with the UN and by its opposition to the debate on banning anti-personnel mines and to the creation of the International Criminal Court.

With no major problems on the European horizon once the Kosovo crisis was over, America is showing a keen interest in the Pacific area, particularly with respect to China. Meanwhile, in the Middle East, Mr Barak seems inclined to minimise as far as possible the role Washington has

played so far as mediator. The Arab-Israeli summit held in Oslo in November appears to corroborate this situation.

Unexpectedly, in exchange for Congress allowing the US to settle its debts with the UN, the government offered the Republicans to oppose any UN initiatives to promote family planning and abortion. However what really influenced this decision was the threat from the UN Secretary-General that Washington could lose its right of veto at the Security Council. The debt is impairing the UN's operational capacity and delaying implementation of the programmes of this organisation, which has yet to find a way of changing and adapting to what are very different times from those in which it came into being.

HOLOCAUST AND WAR IN THE BALKANS

The worrying situation in the Balkans, which has been dragging on for some years, came to a head when 45 Albanians were executed in Raca and a further 24 in Rosgovk. These killings marked a turning point in the open conflict with Mr Milosevic, whose rule is underpinned by a system of "jobs for support" that protects him from any internal protests, since in Serbia political and economic power are merged into one, as occurs in other dictatorships.

According to Mr Holbrooke, who was responsible for the Dayton accords, the OSCE's failure at Kosovo should be attributed to the fact that the West was not determined to put a stop to a genocide that had begun over a year ago. However, the problem was not just a question of human rights, but was linked to a typical dispute of co-existence between two communities that are radically separated by their cultures, customs, religions and historical memories.

The February meeting between Serbs and Kosovars at Rambouillet to discuss a US-inspired plan based on ten principles proposed by the Contact Group ended in failure, and a fresh attempt to renew talks in March once again failed, since the proposals were unacceptable to the Serbs. This paved the way for the long-announced NATO intervention.

On 24 March NATO began its air strikes. At the risk of sounding politically incorrect, it would have been wrong not to respond with force and allow the killings to continue, when there were by then 400,000 refugees in Albania, Macedonia and Montenegro.

Thereafter things happened very quickly. The events are summed up in chronological order as follows:

- President Yeltsin suspended all co-operation with the alliance, while Mr Primakov's visit to Belgrade failed. The UN remained on the sidelines to prevent Beijing and Moscow from blocking the use of force.
- Mr Yeltsin, besieged by worries of his possible dismissal, and clinging on to an outdated pan-Slavism, wielded a confused nuclear threat in the face of a possible ground attack on Yugoslavia, even though he was aware that Russia was in no fit state to live up to its word. The threat was therefore basically for internal consumption. For its part, the West was aware of the need to prevent Moscow from feeling that backs were being turned on it, because if the frustration took root this could lead to the same mistake that Versailles committed with Germany.
- The assumption that Mr Milosevic would surrender after the first attacks, as occurred in Bosnia, amounted to underestimation of this leader and of what Kosovo meant to Serbia.
- Spain announced it would take in refugees and earmarked 8 billion pesetas of aid.
- In April, President Clinton reiterated the five conditions for ending the strikes: an end to the killings and deportations in Kosovo; withdrawal of the Serb army and police; the return of the refugees; the deployment of an international force under NATO command; and, finally, the establishment of an agreement on the future of that province. Around the same time Germany also presented a peace plan envisaging a European solution to a European problem. This proposal, which met with little enthusiasm from the allies, was withdrawn and priority was given to the unity of the Alliance over acceptance of the proposal.
- The refugee problem rekindled ethnic rivalries in Macedonia, while Albania appealed for urgent international aid to provide care for refugees.
- The internal contradictions within the alliance made it impossible to go beyond bombing in order to avoid the risk of triggering insurmountable differences. While the Italian government depends on the support of the neo-Communists, who were hostile to the air strikes, Greece criticised the military campaign, blockade and possible land intervention. Both the Greek and the Russian stance showed that, as in the past, the solidarity between the Orthodox countries is an important factor to be reckoned with, whether their governments are atheists or theocrats.

- The president of Montenegro threatened a possible schism if Mr Milosevic continued with his "crazy policy".
- It was decided to impose a tighter economic blockade and siege on Belgrade, although paradoxically, the oil embargo was lifted one week later. It might be asked why NATO actually ordered this unsuccessful embargo in the first place. The keys to an effective blockade are: choosing the most effective time to apply it (in this case, it was imposed five weeks after the attacks began); getting all the countries involved to co-operate (it is known that, from Greece and Europe via Bosnia, Mr Milosevic was not short of provisions); determination (this was lacking, as it was forbidden to shoot at vessels crossing the blockade lines, unheeding General Clark's advice). In short, this was merely a sham and did not affect Serbia's supply of staple provisions.
- In May, General Short, the head of NATO air forces, joined the cause of those who criticised the planning and the fact that, unlike the Gulf war, this was a war of half measures, as full military force had not been applied from the outset.
- Of the allies, Spanish public opinion was particularly tentative in its support, though there was a keen willingness to help refugees.
- At a meeting in Bonn, G7 and Russia approved a declaration that translated into a resolution of the UN Security Council.
- The time taken for the offensive to get off the ground enabled the "collateral damages" to be exploited, particularly the attack on the Chinese embassy.
- In June Mr Milosevic and his Parliament approved the Security Council's proposal, which included withdrawing Serb troops within seven days and sending the 50,000-strong KFOR, which was to deploy in five areas to cover the whole of Kosovo. Russia's participation had to be negotiated.
- Russia surprised NATO by sending SFOR troops from Bosnia to Kosovo, where they went on to occupy Pristina aerodrome. This political gesture was designed to avoid aggravating Russia's sense of humiliation even further and was a decision taken by the military hawks without consulting civilian authorities—which set a worrying precedent.
- The initial deployment of the KFOR did not prevent reprisals from Kosovo Albanians, perhaps because there were insufficient NATO troops to supervise the whole province.

—The so-called Stability Pact to boost this war-devastated region was signed at the Sarajevo summit in July, which was promoted by the EU and attended by representatives from over 40 countries, and adopted by the regional assembly in September. However, though the economists question whether it can be implemented with investments three times smaller than those of the Marshall Plan.

However, before ending, this conflict warrants certain comments:

1. None of the classic reasons for starting a war applied to this conflict, which stemmed from a new situation in which the use of force and the right to interfere were justified for humanitarian reasons.
2. The Kosovo myth fuelled by the Serbs is relatively recent and artificial, though this did not prevent it from exercising a powerful grip on Serbian emotions as a land holy to them "like Jerusalem for the Jews". By contrast, the Albanians, whose basic religion is "Albanianism", see it simply as a place where they have lived for centuries, before the influx of slaves, and it is therefore the oldest place in the Balkans. Neither should it be forgotten that the Turks have history on their side, since the Ottoman Empire possessed Kosovo as a state for the most centuries, losing it to Serbia in 1912.
3. The Arab world remained strangely silent, showing an utter lack of solidarity towards its persecuted correligionaries.
4. Whereas during the conflict unanimity prevailed between the Serbian dictator, government and people, strange contradictions and alliances emerged between NATO supporters, pacifists, Communists and Greens.

The foregoing leads us to forecast that pacification and reconciliation in Kosovo will require much effort, and the question arises of whether KFOR will be a permanent force as a means of keeping violence in check. This is similar to the situation in Bosnia-Herzegovina, where the same question applies to SFOR.

THE AMBIGUOUS AEGEAN

The government crisis in Turkey, which had been dragging on since the previous year, was settled in January, when Mr Ecevit agreed to be caretaker prime minister until the parliamentary elections in April, in which his party emerged as clear favourite following the arrest of Kurdish leader Ocalan. Pollsters had expected a second win for the Islamists, who had

tempered their political aspirations and qualified their ideology, and their modest 15.5% of the vote as compared to 21.3% in 1995 came as a surprise, as did the disappearance from the parliamentary spectrum of the old party founded by Ataturk.

Nonetheless, the fragmented results once again required a coalition government to be formed by three antagonistic parties, which is not expected to last the whole term. Parliamentary life was soon disrupted by the so-called headscarf crisis that once more led to the Islamist-minded Virtue Party becoming outlawed and its 110 members of parliament expelled from the house.

The Islam issue is a serious problem, though the all-powerful Security Council stated in January that it would tolerate the formation of a new pro-Islam government if that was what voters wanted. This evidences the political decision-making power of the armed forces, in which most of society places its trust. Indeed, this danger is one of the few issues on which all the Turkish political and social forces see eye-to-eye: for although they wish to deepen reforms and democracy, they are aware that they share the same fear as the armed forces with respect to the Kurdish and Islam problem.

But the main event was the arrest of the Kurdish leader Abdullah Ocalan, who was captured in Kenya and tried and condemned to death, the judgement being ratified by the Court of Appeal. From his prison cell, the leader recommended that the PKK surrender its weapons, which it announced publicly.

In actual fact, Europe closed its doors to Mr Ocalan owing to US pressure and for fear of Turkish reprisals in acquiring weapons. The issue highlighted, once more, the lack of agreement of the Fifteen, who did not take seriously the Kurdish question, always leaving it off the agenda in their ambiguous relations with Ankara. It should be recalled that Germany soon cancelled an order for arrest, while Italy hesitated as to what to do and Greece finally allowed Mr Ocalan to escape or else pushed him towards Kenya. His capture in Kenya was helped by the action of the MOSAD and CIA, and it is reckoned that Israel in this way paid for the services rendered by Ankara with regard to Syria, while the US compensated for being allowed to keep its bases in Anatolia from which it exerts pressure on Iraq.

The Kurdish problem will only be resolved by applying three types of measures: investing in SE Anatolia more than the amount envisaged for

the GAP project over the Euphrates; granting the Kurds a legal political area and wide autonomy inside the state borders, provided they recognise the Constitution; and, lastly, ensuring Ankara accepts its ethnic and cultural diversity, which does not necessary mean dismemberment of the nation.

Irrespective of its claims relating to the Aegean Sea and the permanent confrontation with Greece and Cyprus, the tension has eased thanks to the contacts between the two governments over the past months, Athens' veiled manifestations about Turkey's possible accession to the EU and Mr Ecevit's increasing offers of talks to reach an agreement with Cyprus. Ankara would agree to establish a Federation and withdraw its forces if the EU were to change its policy and offer something more than a series of rejections, the last being at the Luxembourg summit. This situation also has negative repercussions on Nicosia, whose negotiations with Brussels are, to an extent, deadlocked.

Ankara's relationship with the EU is very complex indeed, as we should not forget that Turkey is a NATO member that conducts a lot of trade with Europe and is furthermore the frontier with the fundamentalist Islamic world. These aspects undoubtedly influenced the Council of Europe in February, when it declared that Turkey was a democratic country. Even so, it seems there has lately been a certain change in the position of the Fifteen, and everything suggests that Turkey will be included as a candidate for future accession at the Helsinki summit in December on EU enlargement. But in order for this to occur, Turkey will have to make some changes by reforming its Constitution, including the legal system, political parties and government prerogatives, and the armed forces should consider and accept them for the good of their country and the good of Europe. It should even abolish the death penalty and spare the life of Mr Ocalan, since going ahead with his execution would turn him into a martyr, lead to an increase in violence in the south east and, as Mr Solana warned, condemn Turkey's possibilities of joining the EU. At Helsinki, Mr Demiral and Mr Ecevit will thus have no choice but to ask for a certain amount of time to prepare their society for these changes.

Nonetheless, the words pronounced by President Clinton during his visit to Turkey in November will no doubt influence its relations with the EU. The US President appealed openly and firmly to the EU to allow Turkey to join, and expressed this position days later during the OSCE meeting in Istanbul. President Aznar also pledged his support at that meeting.

However, several days later in Athens, Mr Clinton paradoxically stated quite the opposite—the difficulty of membership if Ankara did not settle its disputes with Greece.

As for foreign affairs, Turkey and Israel surprised the world towards the end of the year with their willingness to conclude an agreement on supplying water to the latter, and a military accord to triple the exchange of defence technology and to engage jointly in developing an antimissile programme based on the Arrow system.

RUSSIA AND HER SURPRISING CONTRADICTIONS

At the beginning of the year the ill-concealed rivalry between President Yeltsin and Prime Minister Primakov became evident. The president was jealous of the premier's growing prestige and power and seemed certain to attempt to whittle his role down to the size of that of his predecessor Chernomyrdin, forgetting that Mr Primakov enjoyed considerable popularity. Indeed, Mr Primakov's eventual dismissal triggered a new political crisis—which he was to survive.

In this connection, President Yeltsin took advantage of two foreign trump cards: the IMF aid deal, signed at the end of March, and the fact that Washington was keen for Mr Primakov's place to be taken by a more liberal, malleable and reformist politician, and it was therefore easy to predict that the prime minister's days were numbered.

But it is risky to speak of reforms in Russia, since they have not led to modernisation but to a loss of superpower status and the control of 14 republics, a 47% slump in GDP since 1992, and the massive transfer of public assets to the private sector. There are therefore serious doubts about the success of such reforms.

The failure of Mr Chernomyrdin's mission to Belgrade called Russian credibility into question. It was considered that the Serb leader wished to do further damage to Moscow's uncomfortable situation in the belief that a more radical Russian policy would be to his advantage.

Mr Yeltsin settled the political crisis that had been brewing for several months by dissolving the cabinet in May, shortly before the Duma was due to begin its debate on his possible impeachment—a setback he managed to overcome as the envisaged charges were not approved. This will enable him to last out until his mandate ends in summer 2000. This victory

was topped by the Duma's subsequent confirmation of Sergei Stepashin, a grey figure whom the president used to fill a temporary gap, as new prime minister. It marked the end of a lengthy power struggle in which it emerged that Mr Primakov was not a finished man, as he proved in August when he came to head the "Fatherland-All Russia" coalition formed by the mayor of Moscow, Mr Luzhkov, and several regional governors. This political force will stand a good chance in the December parliamentary elections and the 2000 presidential elections.

Russia thus found itself in a provisional situation, while its economy had still not taken off and a series of reformist laws were about to be tabled to get the IMF to unfreeze the loans it had granted. But there is nothing to suggest that the economic and social situation will improve, however many millions of dollars are injected into Russia's coffer, as what is needed first is to reappraise the role of the state, giving it honest and credible parties and leaders, preventing laws from being evaded and corruption from worsening, strengthening the public sector and renationalising productive resources that have been privatised.

The appointment of several ministers to Mr Stepashin's government was interpreted as a combination of continuing along the same lines as Mr Primakov and a reflection of the influence of bigwig Mr Berezovski, who is linked to the minister of the interior and the first deputy prime minister. Of these appointments, particular mention should be made of the liberal and incombustible Mr Zadornov, who has survived all the crises since 1997, as finance minister. He was to be in charge of the structural reforms agreed with the IMF.

Nonetheless, on the anniversary of the financial crisis of August 1998, the Russian economy seemed to be picking up to an extent thanks to the rise in oil prices and the devaluation of the rouble, with inflation falling to under 30%.

Although nothing the country does could now surprise us, in August President Yeltsin impressed public opinion by announcing that Vladimir Putin, the director of Russian security services (SSF), would be taking over from Mr Stepashin as prime minister, failing to explain the reasons for this change. The Duma, under threat of dissolution and consequent loss of privileges, approved his appointment.

Mr Stepashin's dismissal can be linked to several factors: pressure from the so-called Family, which wants Mr Yeltsin's successor to guaran-

tee the privileges it currently enjoys; the need for a strong man to solve the Dagestan and Chechen conflicts; and preparation for the December parliamentary elections, warding off the political threat of the Fatherland-All Russia party.

Within a matter of weeks, the new prime minister became the Kremlin's candidate for the 2000 presidential elections. He was helped by the Chechen conflict, during which his firm stance commanded the support of the Russian people, subjected as they are to many humiliations, and caused his popularity to soar by 42% at year end. However, his powers of decision are in fact limited to what the president allows him, though he has much greater room for manoeuvre and independence than any of his predecessors.

As for foreign affairs, apart from Russia's prominent role in the Kosovo crisis and the Chechen conflict, one particular event attracted general attention: Mr Yeltsin's meeting with Jiang Zemin, the Chinese president, at a summit meeting in Kirgizstan of the so-called Shanghai group, which includes Kirgizstan and Tajikistan, countries which border on China. The danger of Islam and security was a predominant subject of the talks, since economic co-operation between members is down to a minimum owing to the crisis affecting them. But the most interesting aspect was the strategic partnership formed by Moscow and Beijing with the aim of establishing a multi-polar world. This in fact boils down to opposing US hegemony, though it is reckoned that the whole thing was largely an exercise in rhetoric rather than a real desire for rapprochement between the two giants and specific realities.

FROM THE TRANS-CAUCASIAN HORNETS' NEST TO THE CENTRAL ASIAN REPUBLICS

Chechnya's transformation into an Islamic republic at the beginning of the year—which takes it back to the 19th century— is likely to have repercussions across the Caucasian region, where the growing fundamentalist Wahhabi groups are taking advantage of the chaotic situation of the countries in the region to seize political power.

Half way through the year this fundamentalism spread to the Russian republic of Dagestan, the poorest of the Federation and home to 30 different ethnic groups. Moscow was obliged to opt for military intervention in this conflict, which was difficult to settle on account of this region's moun-

tainous terrain and brought back memories of the old rivalries in Chechnya and fears that fundamentalism and separatism would spread to other republics.

As expected, Russia did not confine its military operations to Dagestan, but sent forces to Chechnya, arguing that the latter was a refuge for Islamic terrorists and that its sole aim was to establish a cordon sanitaire in the north of this secessionist republic. This version of the events was soon forgotten when Mr Putin revealed the real reason for intervening, which was none other than to win Chechnya back. The conflict has become more and more violent and could signify a new opportunity for the "hawks" who long to take the reins of the dispute and seek revenge for the humiliation suffered in the 1994-1996 war.

Regardless of whether or not the Russians win, the clash could draw in other countries in the area such as Georgia, as certain Moscow circles regard this war as a chance to reassert Russian control over the whole of the Caucasus. The economic consequences of such an undertaking would be disastrous for Russia, as it would cost more than the country is going to receive this year from the IMF.

The two most serious problems Georgia continued to experience in 1999 were linked, first, to its internal contradictions—which stem less from its large number of ethnic groups than from the failed centralism of the armed forces—and, second, to its relations with Abkhazia, which has a degree of autonomy within this republic. And there are also the incidents between Tbilisi and southern Georgia, which is populated by Armenians. However, it is expected that President Shevardnadze, the sole guarantor of western-type reforms and peace in the republic and the man who managed to get Georgia accepted as a member of the Council of Europe and WTO, will be re-elected in six months' time, in 2000. Georgia was visited by Pope John Paul II, who underlined this country's tolerance as a solution to the problems in the Caucasus, while harshly criticising nationalist extremism.

So far the West has paid little attention to conflicts in the Caucasus, preferring to let Moscow settle them—whether successfully or otherwise. Russia is aware that, in the long term, disputes in the region will jeopardise its interests. These fears are related to the instability of Abkhazia and Chechnya, which is blocking two railway projects for the southern Caucasus that would be beneficial to the EU's plans to create new East-West links. Russia also fears Baku's suggestion in January about the possibility

of establishing NATO bases in Azerbaijan as a safeguard. This suggestion triggered a somewhat violent reaction from Moscow, which is extremely sensitive about any of its former republics joining or co-operating with the Atlantic alliance.

Another hornets' nest emerged in Armenia, where there was a struggle for power within the governing triumvirate which was broken up in October when nationalist extremists took parliament by storm and murdered prime minister Vazgen Sarkisian. The reason may lie in the talks currently under way with Azerbaijan to settle the dispute over Karabakh, a problem that dominates both home and foreign affairs. Yerevan found no satisfactory solution to this crisis, despite the pressure and veiled threats from the USA and the OSCE's Minsk group.

The attacks that took place in February in Tashkent, the capital of Uzbekistan, were attributed to Wahhabi fundamentalists, the propitiatory victims of a regime that is attempting to assert its authoritarianism, though the biggest potential threat is inter-ethnic clashes. Nonetheless, Uzbekistan is one of the few former Soviet republics not to have carried out privatisations and to have preserved state structures. This economic model is a striking contrast to the privatisation fiascos in sister republics, and ensures stability and attracts foreign investments.

The atmosphere of freedom in Kirgizstan, where criticism and opinions may be freely expressed—something unusual in that vast region—is a refreshing respite. For its gas supplies, this republic relies on Uzbekistan, which paralysed deliveries in February after failing to be paid in foreign currency. Kirgizstan reacted by demanding payment for the water used to irrigate its Uzbek neighbours' cotton fields. The water-supply problem is poisoning relations between the two republics and is a tricky one to solve, for although most of the reservoirs are located in Kirgizstan, the sources are controlled by Tajikistan. As we will see, this is a three-sided dispute.

Dictator Narzabayev was re-elected president of Kazakhstan in January. The election was harshly criticised by OSCE, as it took place under conditions that were far removed from the rules of democracy. Paradoxically, this situation has not led to a fall in foreign investments, mainly from the US—which, even more paradoxically, was in favour of this re-election owing to the reforms carried out and the existence of promising crude oil reserves.

ENCOURAGING CHANGES IN MEDITERRANEAN AFRICA

In July Morocco was rocked by the death of King Hassan II, a conservative monarch in an Arab world characterised by radical leaders such as Nasser, Qaddafi and Boumedienne, to name a few. These leaders created a permanent feeling of harassment and extreme wariness about the possible reactions of neighbouring countries.

In the economic field, King Hassan II, unlike most of the Arab leaders, never suffered third-world temptations and had recently steered the country towards sustained growth. Furthermore, his religious role as Commander of the Believers and the fact that he hailed from a *Chorfa* Islamic family, which descends directly from the Prophet, differentiated him from other Muslim heads of state who shifted away from their people's Islamic foundations. This is the case of the Shah of Iran, Egypt, Algeria, Iraq and Syria, whose regimes are predominately influenced by the governing parties, some of which, such as the Syrian or Iraqi Baas, display socialist leanings that are far removed from traditional Islamic thought.

As both political and religious authority, Hassan II was able to dodge the challenge of fundamentalism during his reign. He departed from this life amid a political openness that was formerly unimaginable in the Arab world and led to the 1997 elections in which he intelligently asked the socialist and former political outlaw Mr Youssoufi—as part of his policy of alternance—to form a government.

Despite the activities of the followers of "sheikh" Abdessalam Yassine, who is held under house arrest, Moroccan fundamentalists do not, as yet, pose a threat to the stability of the kingdom, though the situation could change if the Islamic deputies became a decisive force in the house, by forming a parliamentary group in the forthcoming terms. Fortunately, thanks to the policy of alternance, Moroccan fundamentalists have found an avenue for dialogue with the whole of the political spectrum and the reins of power, and are now part of the system.

The fact that throughout much of the Arab world Islam is split into different branches—Orthodox Sunnis, Shias, Wahhabis, Alawis, etc.—is a major advantage for Morocco. The Muslim world should consider that, unless it renews its religious and social structures, it will find it difficult to adapt to globalisation and, over the course of the 21st century, will become an important culture but one that is totally out of touch with modern civilisation.

With respect to Spain, even at the height of tension, Hassan II endeavoured to ensure that relations were excellent, giving them priority. Indeed, he subordinated his personal feelings to a keen sense of politics that led him to overcome obstacles and established privileged ties with Spain, France and the US, the three cornerstones of his foreign relations.

The new challenges faced by his successor, Mohammed VI, will be to ensure that the special transition begun with Mr Youssoufi is speeded up to avoid being eroded by temptations and different tendencies. To achieve this, the new monarch, together with the Makhzen, should establish a new power structure based on the monarchy yet free from some of the prerogatives and conditions imposed by his father. Only time will tell whether Mohammed VI did the right thing and whether the democratisation process outlined by his father will continue without ups and downs, and, particularly, whether he is able to protect it from the ambitions, interests and internal struggles that Hassan II kept firmly in check. In this connection, his recent declarations, only a few days before starting a tour of Rif—never previously visited by any monarch—are encouraging, as is his decision to free Ben Barka's family. In these declarations, the king stressed his wish to make Morocco a truly democratic state and announced his intention to promote a new concept of authority based on protecting public interests and on guarantees of individual and collective freedoms.

The dismissal of the feared minister of the interior, Driss Basri, who, together with Hassan II, pulled all the power strings, did not come as a surprise. Indeed, it was a necessary step bearing in mind his tense relationship with the new monarch and pressure from the opposition.

Mohammed has the advantage of being both king and Commander of the Believers. This is an essential reference for not arousing the wrath of the fundamentalists and for ensuring that Moroccan society does not lose sight of its aspirations of democracy. According to the surviving structures that date from medieval times, a bicameral parliament must coexist with the authority of the ulema and other religious representatives, since the concepts of politics and religion are difficult to separate in Islamic culture.

Some of the main challenges that lie in store for the new monarch are: securing the support of the armed forces to prevent the spectre of former times springing up among them once the Saharan dispute is over; settling the border dispute with Algeria; guiding Morocco's aspirations with res-

pect to Ceuta and Melilla with moderation and intelligence; abiding by the result of the referendum on the Sahara; and, as has been done so far, maintaining the privileged relations with the West and the Arab world.

With respect to the Sahara, in February Rabat launched an operation to discredit the 1974 Spanish census, no doubt with the aim of putting a stop to the pressure from the UN Secretary-General for Morocco to accept the UN proposals. In view of the situation at year end, it seems likely that the referendum will take place when Morocco is sure of winning. In order to achieve this, Rabat has once again managed to have it postponed.

In Algeria, as occurred last year, the GIA stepped up their violent attacks in January in response to the government's declaration that they would endeavour to prevent fundamentalists influencing the presidential elections in April. The fundamentalists did not take part in the elections, as their leader Mr Nahnah—who came second in the 1995 parliamentary elections, behind President Liamine Zeroual—was not allowed to stand as a candidate. This decision stemmed from a constitutional amendment whereby those born before 1 July 1942 were required to prove they had fought in the Algerian war of independence—something that Mr Nahnah was unable to prove. A clever strategy indeed.

After the rest of the candidates pulled out, the election became a plebiscite to decide on the official candidate, Mr Bouteflika. There were doubts as to the real intentions of the army, which seems to have used Mr Bouteflika to give the military regime a civilian appearance.

But Mr Bouteflika's win at the polls does not solve the country's problems, since the root of the Algerian crisis dates back from the period of independence. Since then, Algeria has lived through a military dictatorship, a power struggle and a civil war, all of which more or less overlap, as a result of the lengthy control of the National Liberation Front (FLN) and, therefore, the armed forces, which entrenched the silence of the opposition. This attitude has been breeding radicalism and religious fanaticism. The problem that needs tackling lies in getting the armed forces to abandon their "dual power" approach, with which they have governed the country for decades, disguising their real power as an institution that is subordinated to the state and to the orders of the president elected at the polls. However, the army should by now be aware that it needs to concentrate on its basic role, that is, to protect the territory, order and constitutional guarantees, and relinquish for once and for all its former privileges and traditional manipulation of pluralism to neutralise the parties.

An initial success scored by Mr Bouteflika was his decision to grant a broad amnesty to the moderate FIS Islamists, though this decision was not shared by the violent GIA, who reaffirmed their intention to carry on with the Holy War until an Islamic Republic was established. Another successful move was the approval by referendum of his Civil Concord or National Reconciliation bill, which is aimed at putting an end to seven years of extreme violence and economic turmoil. However, the bill overlooks an important issue—restructuring central government, the reins of power, and the need to clarify and give transparency to the management of public companies, which are nests of corruption and privileges.

The murder of Mr Hachani, the FIS's third-in-command who made it possible to get the National Concord bill off the ground, is a threat to the peace process and suggests that behind his death are radical fundamentalists or reactionary sectors of the army who are wary of democratic reforms and opposed to a negotiated solution to the civil war. The solution would therefore be to allow the FIS back on the political scene, but Mr Bouteflika has repeatedly stated his opposition, "as the people would never forgive this".

While the presence of the Algerian president at Hassan II's funeral ceremony seemed to confirm an improvement in relations between the two neighbours, subsequent statements and attitudes call this assumption into question.

Before ending this section, we should recall that in a referendum held in September the Egyptian people showed their trust in Mr Mubarak, who has been in power for 18 years. This period has been characterised by considerable stability—despite the fundamentalist attacks—growing international prestige and a prominent role for Egypt in the Middle East peace negotiations, in which it has always adopted constructive stances.

A PEACE PROCESS THAT CONDITIONS THE FUTURE OF THE MIDDLE EAST

In Israel the year began with two opposite demonstrations: that of the orthodox extremists, which commanded a mass turn-out, and that of the lay sector. This was a demonstration of power by the Shas, an extreme orthodox party that upholds the idea that, as Israel is the Promised Land, all its laws should be compatible with religion. This is just one step away from demanding that the Torah should become a civil code, as the Koran

is in Saudi Arabia. The other group of demonstrators was made up of civil servants, university students and people living on collective farms, tired of the economic and civil benefits granted to the Haredim. They aim to prevent Israel, the only country in the world founded on an ethnic religious principle, from becoming a new Iran in which the rule of law is abolished and a theocracy established in which only the Haredim have a say. Mr Netanyahu also re-launched colonisation as a ploy to create faits accomplis before the May elections.

The birth of a Palestinian state on 4 May, as envisaged in the Oslo accords, was postponed in April, as Mr Arafat found himself under pressure from the international community to prevent this coinciding with the May Israeli elections. In this connection, Tel Aviv should be aware that the Palestinians have demography on their side in the 21st century: by 2010-2020 they will be a majority and Israel will then have to choose between the coexistence of two neighbouring states, keeping the occupied territories under an apartheid regime or accepting a single state inhabited by Arab and Israeli citizens, relinquishing the idea of a Jewish state. That is why the idea of coexistence is gaining ground in Israeli society, since if the occupation were to persist it would lead to a binational state with an Arab majority. In May Israel voted for a change, appointing Mr Barak as its new head of government. Although the White House reckons that it will be easier to conclude the peace process with Mr Barak, it remained strictly neutral on this occasion, in order to avoid repeating the mistake made in 1996 when it backed Shimon Peres. This time the two main parties, which have dominated the political scene since the country gained its independence in 1948, lost some seats to a host of small parties, forcing Mr Barak to form a coalition government with a fragmented parliament dominated by the Shas.

Mr Barak presented his three challenges at the swearing-in ceremony: peace with the Palestinians and fulfilment of the Wye accords, peace with Syria and Lebanon, and peace within the divided Israeli society. His programme created a certain amount of optimism in the Arab countries and Iran. While Damascus assured that it shared these wishes, it is demanding that negotiations over the Golan Heights be resumed where they were left off in 1996, when Shimon Peres promised to withdraw from the area—something that, for the time being, Mr Barak considers a very advanced starting point. Beirut, for its part, is calling for UN Resolution 425 to be applied, which stipulates that Israel should withdraw from the south of Lebanon. This problem will be difficult to solve in the short term, as it is linked to Syrian occupation of that country.

The meeting between Mr Barak and Mr Arafat in July was focused on freezing colonisation policy, the final status for Gaza and the West Bank, refugees, borders, water and the problem of the future of Jerusalem, plus the commitment of acknowledging a Palestinian state. Abdullah II of Jordan—a country that has two million refugees and fears that the final border settlement may affect Jordan and the distribution of Jordan's water—was not absent from these talks. The king also held talks with Mr Barak in Aqaba that same month.

Half way through the year it was feared that the negotiations would come to a standstill. While Mr Arafat was prepared to accept Israel's proposal to start evacuating the West Bank on 1 September, what Mr Barak offered was to start preparations that day to commence redeployment in October. Tel Aviv reckoned that abandoning 13% of the desert area of the West Bank would amount to opening the doors to any terrorist infiltration, and if the same percentage were ceded in a block in the north of the region, the independent Palestinian state would become an irreversible geopolitical reality. And if islets of the West Bank were ceded, this would endanger 70% of the settlements scattered about that territory. The Palestinians thus accused Mr Barak of using delay tactics.

Fortunately, the conflict seemed to be resolved in September, when both leaders ratified the Wye II or or "improved Wye" memorandum. The key points of this document were negotiations on the final status of Gaza, the West Bank and Jerusalem; the redeployment of the Israeli army; the release of prisoners—one of the points most quickly fulfilled, as was the opening of a safe passage connecting Gaza and the West Bank; the construction of Gaza seaport; and keeping the Hamas and Islamic Yihad terrorism organisations in check. These proposals were qualified days later when the Israeli foreign minister, to prevent there being any doubt, stated that Jerusalem would always remain under Israeli sovereignty and there would not be a return to the pre-1967 borders, that Israel would refuse to allow a foreign army to deploy west of the Valley of Jordan and that settlements would be kept in the occupied territories. Shimon Peres explicitly ratified them days later in an interview published in the *ABC* daily, when he said that "Israel will not commit suicide simply to satisfy Palestinian demands". As is only logical, Mr Mazan, the Palestine Authority's second-in-command, retorted immediately that a Palestinian state would be created with Jerusalem as the capital, that there would be a return to the borders established before the six-day war and that, when they gained independence, only they would decide on the army they wanted. Both sides thus made it

very clear that there was time to negotiate: they would have signed the framework agreement by 15 February 2000 and concluded a final peace settlement by September. However, with respect to Jerusalem, it is very feasible to think that this thorny dispute will end in the creation of a "great shared Jerusalem", divided and governed by two independent authorities, one Arab and one Israeli, with jurisdiction over their respective zones, subject to a higher Arab-Israeli council or administration.

The Oslo summit in November, in which Mr Clinton was anxious to play a decisive role, aroused great expectations. However, he received a clear answer from Mr Barak, who stated that only they and the Palestinians have a prominent role to play in peace negotiations and would therefore reject the direct and continuous mediation of Washington and also of the European Union. This is quite the opposite to the wishes of Mr Arafat, who knows that Tel Aviv will only ease its demands under US pressure, including economic aid. The summit ended in utter failure, as Mr Arafat initially caused tension to mount when he demanded the end of colonisation and Jerusalem East as the Palestinian capital, while Mr Clinton, at the end of the meeting, announced the holding of a further meeting the following year. His offer did not get the go-ahead from Mr Barak and Mr Arafat. It also became very clear that it will be difficult to meet the deadline set for signing a peace settlement, that is, September 2000.

An event, which, although expected, nonetheless rocked the world, was the death of Hussein of Jordan, who, weeks earlier, had changed the line of succession in favour of his eldest son Abdullah instead of his brother Hassan, hitherto the heir to the throne. Even the opposition, who in 1991 signed the National Charter confirming their acknowledgement of the legitimacy of the Hashemite dynasty, did not question this decision.

Like his Moroccan counterpart, the new king faces a number of challenges. These include helping the peace agreement between Palestinians and Israelis through the crisis, as, in the past, the Palestine issue has threatened to destabilise the Jordanian monarchy several times; ensuring that the open support from the US and the West does not create problems at home and in Jordan's relations with the Arab world; and improving relations with Iraq, which deteriorated when Jordan took in opponents of Saddam Hussein. He should have no doubts that his ability to secure a firm foothold will depend on several factors: western support, peace in the Middle East, an improvement in the economy and integration of Palestinians and Bedouins, who are his mainstay.

Factors such as the risk of internal unrest in Iraq, the alliance between Ankara and Tel Aviv and other tensions have driven Syria to support changes in Lebanon and attempt to reduce inter-community clashes in that country, in order to prevent them being used by Turkey and Israel. While Mr Assad's succession is assured in his son, Syria faces two problems, the return of the Golan Heights and its influence and presence in Lebanon. Syria will not withdraw from this country as President Assad dreams of recreating the Great Syria, and Israel will accept this situation in the medium term in order to ensure the peace and stability of its northern border. Lebanon has the problem of the burden of all its Palestinian refugees, whom Mr Arafat could use to pressure Israel, were they to decide to return to the new Palestinian state. They could also be a threat to the latter, as these refugees have become radically opposed to the PLO.

In Kuwait the resounding election defeat suffered by the Emir in July came as a surprise and marked the people's reaction to a government incapable of pulling the country out of recession. To the uncertainty over the succession of King Fahd of Saudi Arabia—one of the most change-resistant countries in the world yet, paradoxically, one of the most coveted by the West—should be added the problem of immigrants, who account for over 80% of the working population. There is also the dispute with Yemen, which re-erupted in September when Sana refused to relinquish regaining certain Saudi provinces and Riyadh to relinquish its claims to Hadramout in order to have access to the Indian Ocean.

What might be described as an unending war between Iraq and the USA and United Kingdom dragged on, albeit quietly. As we turn into the new century, neither Washington nor London intends to establish a political dialogue or lift the sanctions while Saddam Hussein remains in power. Iraq's refusal to continue to exchange oil for food has created a vacuum in the world oil market, leading to a worldwide price rise, a ploy directed against the US.

The February elections that coincided with the celebrations to mark the 20th anniversary of the Iranian revolution ended in another victory for Mr Khatami's reformists. Mr Khatami was aware that winning the municipal elections was tantamount to challenging the religious authorities, who later managed to cancel the reformist victory in Teheran and dismiss the culture minister, who had been the driving force behind the opening up of the artistic circles and media. Mr Khatami's visits to Rome and Paris in March and October appear to signify a step towards normalisation of the

country's relations with Europe, and his visit to the Pope is highly significant given the control exercised by the Shiite clergy in the religious sphere, which clashes with Mr Khatami's own tolerant concept of Islam. In July, the violent clashes between reformist students and hard-line fundamentalists, which were crushed, appeared to be a forewarning of what may occur in the parliamentary elections in January 2000.

In Afghanistan the civil war dragged on, with general Massud's Tajiks —the last-remaining force that opposes the Pathan Taliban—continuing to lose ground. In view of this conflict, Russia is attempting to establish a buffer of CIS countries to prevent the spread of Islam. While Uzbekistan and Turkmenistan currently have certain US guarantees, Moscow is concerned about Tajikistan, where the success of the Taliban could encourage a resurgence of the Muslim opposition. So far, the Taliban movement has signified failure for Saudi Arabia, the US and Iran, for different reasons: Riyadh's two-faced language of pro-Americanism and support for radical Sunnite movements has come to nothing; the US has realised that there are no policies of moderate change in the Muslim world; and Iran has been ousted from a role it boasted of—that of leader of the world-wide Islamic revolution that puts aside the differences between Sunnis and Shias. A country that has benefited from the situation is Pakistan, which pulls the strings in the regional strategy: guerrillas in Kashmir, control over the Taliban, support for Islamists in Central Asia, etc.

QUESTIONS RAISED BY SOUTHERN ASIA

Following thirteen troubled months, India's coalition government was toppled by a no-confidence vote, though the parties were uninterested in holding early elections. Nonetheless, the elections, which, owing to the complicated election system, carried on throughout September and October, confirmed that the Congress party, now led by Sonia Ghandi, had lost its former clout. The elections were again won by the coalition of regional and nationalist parties led by Prime Minister Atal Behari Vajpayee, who was aided by his firm stance towards Pakistan in a conflict that aroused patriotic fervour and extreme nationalist feeling across the country, as witnessed during the visit of Pope John Paul II to India in November.

But it is particularly important to comment on the direction in which New Delhi's foreign policy is heading now that the country is no longer a recipient of Soviet aid and has abandoned its policy of non-alignment with

respect to America and China. This new policy, based on nuclear rearmament, is aimed at equalling the forces of China, the other Asian nuclear power, through a system of mutual deterrence. Indeed, India is obsessed with finding itself supplanted in the ranking of major Asian powers, where it is pitted against Japan—a privileged US ally with a technology and an economy that its neighbours will have difficulty matching in the medium term—and China, which aims to acquire superpower status without threat or rivalry with Russia. To this should be added its suspicions about seeing the Indian Ocean under US control and Pakistan's nuclear-power status, factors and reasons that are leading India to break this strategic disequilibrium and seek a remedy and antidote in nuclear weapons.

The hopes raised by the Indian prime minister's visit to Pakistan in February vanished when India launched its AGNL II missile in April, to which Islamabad reacted by testing another ballistic missile, GHAURI II. Both missiles had nuclear capability.

The intervention of the Indian army in Kashmir to drive out Muslim guerrillas who had crossed the "line of control" triggered violent fighting between the two countries' forces, putting paid to the tentative atmosphere of détente that seemed to have been established three months earlier. And although Pakistan attempted fresh talks in June, these failed owing to the unyielding stances both states have held for half a century. The fighting ended in July, when Pakistan's Prime Minister Sharif ordered his troops to withdraw after a meeting with President Clinton. This decision was to lead, months later, to a military coup staged by General Musharraf. This coup raises many questions about the future, as, although, on the one hand, General Musharraf announced a military de-escalation along the border and stated he was open to dialogue, it should not be forgotten that his coup was due to the fact that the former prime minister, Mr Sharif, had opposed the army's belligerent attitude in the conflict that had recently ended. Indeed, the armed forces were in favour of prolonging Muslim guerrilla fighting in Kashmir.

Pakistan has less military clout than India, but the current war is full of imponderable factors and open conflict could lead to an unforeseeable future, as the support would not cease to pour in for either side. Therefore, a possible confrontation between the two countries should be cause for alarm for the international community. Furthermore, India is governed by parties with a powerful nationalist and religious fundamentalist leaning—and Pakistan's leaders have similar characteristics.

Despite the foregoing, US policy with respect to Pakistan will not vary very much. Pakistan is a key country in America's strategy in the Indian Ocean, where it grants the US an access corridor to Central Asia to ensure future energy flows and channel US multinationals' projects, as well as enabling it to confine Iran within a pincer anchored on Turkey in the West, and finally, to exercise a certain degree of influence on India. This influence over Pakistan came to light last year, when Washington persuaded Islamabad to adhere to the Non-Proliferation Treaty.

A year after Mr Suharto was toppled from power, Indonesia, still in the throes of economic recession, continued to be rocked by waves of violence between the ethnic and religious communities. This violence erupted shortly before the presidential election in June (though the results were released in October), after acting president Habibie resigned following humiliation by the parliament, which rejected his way of managing the country and accused him of being Mr Suharto's heir. His decision was also influenced by a lack of support from the all-powerful General Wirato, and by international pressure. Although Megawati Sukarnoputri, the daughter of Mr Sukarno, the father of independence, emerged as the clear leader in the election, parliament chose Mr Wahid, an Islamist, as president, fearing that the power could go to a woman prepared to root out corruption. To compensate, the same assembly that had denied her the premiership days earlier elected Megawati Sukarnoputri as vice-president. This shows that Indonesia needs a constitutional reform to enable its president to be elected directly by voters rather than leaving the matter to parliament, most of whose members are not chosen at the polls.

But the most serious problem Indonesia is experiencing is not its uncertain political future, but rather the upsurge of separatist feeling in this vast country, where pro-independence demands are growing in Irian, Java, the island of Ambon, part of the Moluccas, and Aceh in central Sumatra. This situation is the legacy of the Dutch colonisers, who forced an unnatural federalism upon a multi-ethnic country in order to extend their influence.

As regards East Timor, in August Lisbon and Jakarta signed an agreement in New York to establish the terms of the referendum to decide between independence and integration into Indonesia. The pro-independence supporters won by an overwhelming majority. As voting day drew nearer, the violence escalated, leading to a huge increase in murders and the exodus of the independence supporters, while the army looked on

impassively. The armed forces have so far been Indonesia's major political force, to such an extent that, depending on how things progress, we should not rule out their returning to power. Their attitude basically stemmed from the conviction that the case of East Timor could encourage separatist movements elsewhere.

The violence and anarchy reached such an extreme that the international pressure became unbearable and President Habibie was forced to accept the presence of an international UN peacekeeping force and the establishment of an Interim Administration in October to guide the fledgling country to independence in two or three years' time. Regrettably, the whole process was characterised by the international community's totally passive reaction to the violence, the ineffectiveness of the UN and an ambiguous and tardy reaction from the US, whose discourse was limited to statements of condemnation for weeks, leading general Wiranto to believe he had carte blanche to carry on with the butchery. This situation was remedied when President Clinton accused the armed forces—albeit belatedly—of acting in complicity with, and supporting, the persecutions and killings, announcing that he would cancel arms sales.

The elections held in Myanmar in March lacked transparency and this prevented the opposition from winning. Yangon, where the military junta continues to govern under the name of Council for Peace and Development —a name does not conceal the dictatorial nature of the regime— is only concerned to improve its image and demonstrate that the country is in full democratic transition. It has been pursuing this goal since 1997, when it was accepted as a member of ASEAN in a ploy to counter Chinese influence.

The case of Malaysia is paradoxical. Since the financial crisis erupted, President Mahathir's anti-western, authoritarian and populist discourse has spread to all the other sectors, including the economy, even though he seeks unflaggingly to ensure foreign investments and to follow the IMF's prescriptions. Although Dr Mahathir aims to steer a democratic course, the repressive regime is preventing the opposition from coming to power at the polls. During the year the president whittled down the prerogatives of the Sultan and the independence of the judiciary. The dissolution of parliament and the calling of elections, allowing only nine days of campaigning, took the parties by surprise and was a skilful manoeuvre by the president to secure parliamentary majority.

UPS AND DOWNS IN THE FAR EAST

An unknown language was heard in March, when China's Prime Minister Zhu Rongji, warning of the social malaise generated by the transition to a market economy—"market socialism" is the official term—presented a sombre picture, stating that the country's fiscal deficit had almost doubled. This is a lingering consequence of the Asian crisis of 1997. The country has witnessed a drop in exports, a fall in foreign investments and an increase in unemployment as companies restructure and the measures taken have failed to absorb the new waves of jobless. This outlook reveals the serious hazards of building capitalism without democracy. Finally, it was announced that activity would be re-launched by upping public spending by about a billion dollars until 2000.

These words clearly show that there is no alternative to a reform policy and that the country may achieve the 7% growth announced for this year. However, we should not ignore the fact that the coastal region is the driving force behind development and the recipient of 90% of investments, and this imbalance is giving rise to new social and economic inequalities and huge regional differences. Indeed, there are two very different Chinas: one characterised by increasing wellbeing and westernisation, and a rural one whose large population lives in dire poverty and is subjected to medieval structures.

The overall outlook is nonetheless very positive, though many questions remain. While nobody denies the country's economic progress, political developments raise many uncertainties about the continuity of the authoritarian and rigid structures and institutions that are paralysing the system. To this should be added the possible destabilising factors caused by tension in Tibet and with Taiwan, which has repercussions on the situation at home and is hindering China's full integration into the international arena.

Mr Rongji's visit to Washington in April failed to achieve its main objective of Chinese accession to the WTO, something that Beijing has hankered after for years. Whether or not it will be allowed to join is an unknown factor that may be disclosed at the Millennium meeting in Seattle, although China said it would not sacrifice its national interests to membership. America's accusations that China had obtained nuclear secrets using unorthodox methods came at a time when tension was mounting with Taiwan. However, the trade agreement signed in November with the

US favours and almost ensures Beijing's longed-for membership of the WTO, whose meeting it will attend as an observer. The agreement, which will oblige China to adopt liberalising methods and eliminate customs barriers, will entail a mass shutdown of inefficient state companies and the collapse of the Chinese automotive and telecommunications industries, which are no longer able to compete with the products the country will have to import.

The NATO bombing of the Chinese embassy in Belgrade had three negative effects: it postponed military contacts with the US, suspended the talks on human rights and froze the consultations on Non-Proliferation. It therefore came as a surprise when, in October, the head of state, Jiang Zemin, stated that China would be signing the Nuclear Test-Ban Treaty. Beijing also took advantage of the bombing to recall the former "gunpoint policy" and the unilateral declarations of the European powers in the 19th century, which led to several interventions and occupations and the fragmentation of the great empire.

Whereas falling out with the West would signify a harsh blow for China's economic development and modernisation, it could also have damaging repercussions on great giant's Asian neighbours, who would have to choose between the new emerging superpower and the current world superpower. Both Washington and Beijing are well aware that they both stand to gain a lot from co-operation and that confrontation could involve serious risks.

The co-operation policy established by President Nixon is losing momentum in America, where a certain sector of Congress regards China as the main strategic threat of the 21st century. Nonetheless, other US sectors reckon that this threat would be lessened if China freely joins the globalisation process, because should the situation arise—and this is not unfeasible—it would help block the emergence of a new all-powerful Japan.

The Taiwanese President Lee's declarations in July that relations with the continent should be established on an equal footing, that is, on a state-to-state basis, were harshly rejected by China, which considered them to be unacceptable, leading to a military deployment on the island. It has been said that a solution would be initially to apply the model of the two Germanies as a prior step to reunification. However, China argues that the European example is different, as the states in question were both universally recognised, but this is not so in Asia, particularly bearing in mind that

in September the UN once again, for the seventh time, rejected the proposal submitted by thirteen countries to allow Taiwan to join the organisation. The tension over this dispute will undoubtedly ease while the euphoria of Macao's joining the continent lasts.

Mr Jiang put the issue of Taiwan to President Clinton at the end of the year at the APEC meeting in New Zealand, though no significant headway was made. It should be recalled that, while the US has repeatedly stated that the island is an inalienable part of China, it also has ties with Taipei through the Taiwan Relations Act, which, if applied, would oblige America to support Taiwan in the event of an external threat. In addition, during the year Washington hinted at the possibility that the island could sign up to an antimissile treaty with Japan and South Korea.

Two aspects dominated the Japanese political scene at the turn of the century. The first is the formation of a problematic coalition government made up of two parties led by former liberal politicians whose instinctive dislike of each other is well known, in order to keep the crisis in check. This alliance was preceded by tense differences over security and defence issues. The second aspect relates to the pressure Prime Minister Obuchi came under to reform the "peaceful" Constitution in order to enable the army to take part in future UN peacekeeping operations. Many people fear that this measure could pave the way for the beginning of rearmament, though the situation appears to be deadlocked for the time being. Neither did the state's adoption of the Rising Sun emblem as its national flag and the well-known "Kimigayo" as the national anthem go down well with a minority, since both attributes recall second-world-war militarism.

It is not easy to understand the current situation of Japan, which, since the end of the second world war, has been regarded as a second-rate military and even political power when it comes to resolving world problems, as designed by America's doctrine of containment, though the current circumstances are quite different. Until the Vietnam war ended, the US did not fear a powerful Japan while it remained subordinate to their security and defence strategy in the Pacific and its development did not affect state-of-the-art American industry—a policy which Tokyo seriously reconsidered at the beginning of the nineties. The Asian financial crisis prevented Japan from setting up an Asian monetary fund designed to protect its banking sector and carry out restructuring in South East Asia and South Korea. Had it been put into practice, this idea would have made this vast area financially and perhaps even politically dominant, and both Ame-

rica and China were therefore hostile to the project, fearing Japan would become a major power.

On another note, the country seems to be on the road to recovery from the banking crisis that has been dragging on for two years, thanks to an injection of public funds and economic reform, although recovery continues to depend on the clearance of the bad debts that are burdening banking assets. A matter of concern in this connection is the depletion of the guarantee fund of the corporation set up to recover and take over the management of banks that collapse—as five did during the year.

Although the Japanese economy will continue to face serious structural problems for some time and its consumption level will be very low, the unexpected GDP growth of 7.9% in the first half of the year points to an encouraging outlook, though it will be difficult for the country to keep up this pace of growth. The slump in consumption can be explained by the failure of the twelve plans to re-launch the economy implemented over the past two years, which have caused widespread misgivings about the governments and fears about the future, leading to an increase in savings. These feelings and phenomena linger on.

The only event worth stressing in connection with North Korea is the naval incident in June, which it used to pressure Seoul in the Beijing inter-Korean meetings designed to reunite families that have been apart for 50 years and settle the dispute over the division of the Yellow Sea between the two Koreas. Contrary to expectations, North Korea broadened its coastal border in a unilateral action that sparked protests from Seoul, as this infringes the line established in 1953. The decision was no doubt taken to divert attention from the country's serious internal problems.

The voluntary surrender of two historical Khmer Rouge leaders in December 1998 and their subsequent release rekindled the controversy in Cambodia this year over the need to try those responsible for two million deaths. It is a contradictory debate that evidences the country's mixed-up values and the pragmatism of its government, which is endeavouring to convey the image of a stable country that welcomes tourists and investments. The application of sanctions by the West would therefore trigger the risk of a resurgence of the Khmer phenomenon, which has not yet died out.

QUESTION MARKS HOVERING OVER LATIN AMERICA

The devaluation of the Brazilian real in January sent the stock markets plunging and it was feared that the crisis would curb the growth of the world economy. Brasilia was placed in the situation of having to choose between allowing the real to float until it found its true market price or, as in Argentina, establishing an exchange rate with the dollar. Brazil opted for the former, without realising how this would affect prices and inflation, which is expected to soar to 21% by year end, as compared to a rate of 10% just four years ago. As a result, the value of the real fell by 43% in only nine days, and GDP growth for 1999 is expected to amount to -4.5%.

The crisis stemmed from a substantial loss of investor confidence and the fact that the deficit-cutting package the government came up with in October 1998, which was supported by the IMF, had been rejected by the federal governments, thus dampening the optimism the austerity plan had created. As a result, in February Brazil undertook to privatise the energy sector and its financial system in order to raise funds to balance its accounts and pull out of the recession. However, these measures had a negative effect on the financial markets at a time when the European and US economies were notching up sustained growth of between 2% and 4%, inflation was kept down to very low figures and interest rates dropped to all-time lows, particularly in the euro area.

The difference between the Brazilian recession and that of South East Asia lies in the fact that in Asia the IMF only helped the countries with sinking currencies and hefty debts, whereas in the case of Brazil it came to the rescue two months before it reached that point. The aid was more of a preventive measure than a remedy, though it was unable to put a brake on speculation and massive capital flight. It can be said that the country's federal debt structure and productive fabric are at risk—a fact that could take its toll on social welfare.

In Colombia, negotiations with the ELN failed early in the year, as President Pastrana refused to grant this guerrilla a demilitarised zone. The difference between these negotiations and those conducted with the FARC came to light. Whereas the ELN needs to make concessions, the FARC lays down the rules of the game, as evidenced when the president gave it permission to govern a territory the size of Switzerland and agreed to withdraw troops. Indeed, 40% of the country is not under government control.

The meeting between Mr Pastrana and the legendary guerrilla fighter *Tirofijo* ("Sureshot") on an equal footing led to the resignation of the defence minister and eighteen generals, who believed that the concessions made by the president would strengthen the guerrilla army's position in political and military terms. Even so, the talks were broken off again in July, followed by an upsurge of violence, including a demonstration of force by the FARC near Bogota. The IMF warned that the country was heading for chaos and instability.

President Pastrana's policy of making concessions without securing any real and credible promises in return met with the disapproval of 70% of citizens, who no longer believed in the peace process and reckoned that the country was sliding into a steady decline in all sectors. October saw a resumption of the meetings and contacts to decide on an appropriate mechanism for opening a country-wide debate, with opinions, proposals and suggestions being gathered from all levels of society, though it is expected that the Peace Agenda will include too many discussion topics to be a success. Next year will tell.

The disconcerting measures adopted by Mr Chavez in Venezuela throughout the year—a law granting him special powers to govern by decree, new taxes to refinance foreign debt, trimming the state machinery, etc.—continued to perplex the world. This ambitious plan was announced days before the referendum, held and won in April, on the formation of a Constituent Assembly. In June, the new Assembly, dominated by his supporters, ratified further powers that would enable him to dissolve Congress and the Supreme Court of Justice. It also completed the draft of a new Constitution, which was put to another referendum in December that turned out to be a pushover. To cite Mr Chavez, the Vth Republic or Bolivarian Republic of Venezuela was thus born.

But things went even further in November when the Assembly changed the presidential mandate from five to six years and approved the immediate re-election of Mr Chavez, who will govern for two six-year terms with almost absolute power. Although, admittedly, he does seem to be steering Venezuela's economy along an orthodox course during his stint in power, many questions nevertheless arise about the country's judicial and institutional future.

But there is an explanation for this situation or political phenomenon: despite obtaining huge oil revenues, Venezuela's previous governments were unable to provide the country with a basic infrastructure, be it a

health service or road links. They also failed to reduce social inequalities, to put an end to the system of subsidies, privileges and corruption and to lay the basic foundations for industrialisation—factors that are essential to steady and sustained progress.

In Cuba, the conviction of the four so-called "dissidents" who had called for multi-party elections to be held by reforming the 1940 Constitution was taken as another demonstration of power by Fidel Castro. Meanwhile, the so-called "gagging law" and the massive crackdown on opponents swept away the remains of the Pope's visit in an inexplicable toughening of the regime precisely when negotiations were under way for the visit of the king and queen of Spain and the 9th Ibero-American Summit was to be held in Havana only months later.

During the year we appeared to be witnessing a gentle thaw in US relations with towards Cuba, in the form of sporting exchanges, humanitarian assistance, direct purchases of US products and even the establishment of flights between New York and Havana, not to mention something that had not been seen in 40 years—the official visit to Cuba of the Republican governor of Illinois in October. However, these hopes seemed to be dashed when, in his message to the 17 leaders taking part in the 9th Ibero-American Summit, President Clinton urged them to pressure Fidel on democratic and human rights issues, and when America, with Israeli support, once again vetoed the lifting of the embargo at the UN.

The dismissal of Cuba's foreign minister, Mr Robaina, dealt a harsh blow to the policy of openness he championed and marked the failure of the Spanish monarchs' visit and the UN Human Rights Commission's condemnation of Cuba. It is feared that his replacement, Mr Pérez Roque—an orthodox *castrista*—will take a harder stance.

At the EU-Latin America summit held in Rio in June, France hampered the commencement of negotiations to create a free-trade zone between Europe and Mercosur, and the United Kingdom secretly backed this position. The problem lies in farm produce, an area in which President Chirac holds a protectionist attitude with a view to attracting farmers' votes in the 2000 presidential elections, whereas the United Kingdom wants to protect the products of its former colonies, claiming, in order to delay negotiations, that it was advisable to wait until the results of those currently being conducted in the framework of the WTO Millennium Round in Seattle, which will end in 2003. The positive agreements needed to compensate for the fact that North America is increasing its influence

through the Free Trade Area of the Americas, which it is negotiating with Mercosur and could come into force in 2005, were postponed for a further meeting between the EU and Latin America to take place at the end of the year.

The new Panamanian president, the widow of the thrice-president Arias, was handed over the control of the Canal on 31 December, proclaiming that Panama will be capable of controlling and running it just as well as the Americans. This hand-over sparked a controversy towards the middle of the year, when the US general in charge of the Southern Command warned that the withdrawal of his men would endanger the security of the Canal and could require unilateral US intervention. Indeed, another agreement signed along with the Carter-Torrijos treaty establishes that the US has the duty to supervise the area should the working of the Canal be endangered.

Following a wave of violence, Paraguay's President Cuevas resigned in March under pressure from the people before the Senate could vote to impeach him for mismanagement. Meanwhile, the former general who staged a failed coup, Lino Oviedo, left the country.

The spread of unemployment, growing corruption and the prolonged economic crisis led Argentinians to choose the centre-left alliance's candidate De la Rúa as their president, thus putting an end to a decade of government by Mr Menem, who is hoping that Argentina will want him back in 2003. Mr De la Rúa has appointed a moderate cabinet in an aim to remedy the budget deficit and moral and social shortcomings inherited from the Menem era.

With respect to the Pinochet case, Spain is confident that Chile will not question the rule of law or break off its traditional friendship. From the Spanish point of view, it is not appropriate so speak of a bilateral crisis or dispute with Santiago, although the issue caused Presidents Menem and Frei to announce their absence from the 9th Ibero-American Summit in Havana, blaming Spain for judicial colonisation and interference in other countries' affairs. The presidents of Costa Rica, Nicaragua and El Salvador did not attend the summit either, in this case, for bilateral reasons.

The results of the 9th Ibero-American can be summed up as follows: an appeal from King Juan Carlos for this community of nations' need to establish true democracies that respect human rights; unease over the attitude of the Cuban authorities, who prevented the people from giving

the monarch a warm welcome; Mr Aznar's meeting with dissidents; the setting up of the Secretariat for Co-operation in Madrid; a declaration on extraterritoriality, which pleased Chile as well as Spain and Cuba, as it allowed each country to interpret in its own way the expression used to condemn the extraterritorial application of national laws; and finally, President Aznar's declaration that Cuba did not meet the conditions for a state visit by the king.

VIOLENCE AND ASSERTIVENESS OF REGIONAL POWERS IN SUB-SAHARAN AFRICA

The outlook for turn-of-the-century Africa is paradoxical and disheartening. On the one hand, it is the scene of an endless series of wars and clashes, the aims and justification of which are equally absurd. On the other, we have an Africa that is adopting a multiparty system and aiming for political stability as a step on the road to total democratisation. The salient feature in this connection is the gradual establishment of the regional powers who are trying to fill the gap left by the hitherto colonising powers, and a weakening of the ties that bound them. In short, two Africas: one of turmoil and despair, that defies legality; and another that is working and attempting to progress and live in peace, with high growth rates, the target of foreign interests aimed solely at accessing the rich resources of the black continent and markets for leading-edge technology.

The vicissitudes of the continent do not, of course, depend solely on external influence, but on a number of other factors: many of the states lack a system in which all sectors and ethnic groups are represented; some are monopolised by minorities; galloping corruption (Nigeria and Cameroon are among the most corrupt countries in the world); societies are reluctant to bear the huge costs and sacrifices entailed by reforms and austerity measures dictated by the IMF and WB; ineffectiveness of the OAU, which was unable to prevent conflicts such as those of the Horn of Africa, Eritrea-Ethiopia, former Zaire, famine in the Sudan and genocide in Sierra Leone.

As pointed out earlier, Paris and Washington have declined to take on their traditional role of "gendarme" in conflict prevention, opting for other means. The gap they left has been filled by different coalitions that vary according to the time, goals and benefits to be had. Typical cases are the one formed by Uganda, Rwanda, Burundi, Angola and Zimbabwe against

Mr Mobutu, or the subsequent alliance between Angola and Zimbabwe to keep Mr Kabila in power, which was opposed by a third group made up of Uganda and Rwanda. These interventions crop up time and time again.

In Guinea Bissau, although President Vieira's followers and General Mané's rebels agreed on a ceasefire, this has not had any effect, despite the presence of a Senegalese peacekeeping force which was relieved in January by Ecomog, the only intervention force of any significance in the region. However, it is accused of being subjected to a disproportionate influence of the Nigerian forces.

Although rebels and government reached a power-sharing agreement in Sierra Leone, in actual fact the RUF is growing stronger every day and more difficult to dominate, and there are fears that the country will turn into a second Somalia. The success of the RUF should be attributed to the support it continues to receive from Liberia and, to a lesser extent, Ukraine.

Meanwhile, in Congo-Brazzaville, where there is no state but rather a country dominated by three warlords at loggerheads with each other, the anarchical situation continues and a solution does not seem likely in the short term.

Angola is a dramatic case in that since gaining its independence in 1975 it has only enjoyed five years of peace. Clashes—by now a chronic complaint—with the UNITA rebels erupted again, putting the damper on four years of UN efforts and mediation. Despite its rich oil deposits, several factors are preventing it from becoming a major regional power: the almost permanent struggles with the UNITA rebels who control vast areas of the country and aspire to seize power; the pro-independence movement of the Kabinda enclave where the oil deposits are located; the almost total destruction of the country's infrastructures, from road links to educational establishments, as a result of 20 years of civil war; and the extreme poverty of a steadily growing population.

The Democratic Republic of the Congo, formerly Zaire, whose economic and social failure make the state a farce, has not yet managed to put an end to the conflict with the Banyamulenge rebels who dominate large areas of the country. 15 African countries failed in their mediation efforts to achieve peace and persuade the different foreign armies who support President Kabila and the rebels to withdraw. Solutions and consensus were recently sought at the OAU summit in Algeria.

In the eastern part of Africa the endemic civil war in Sudan, which has been dragging on for two decades, continues. This silent and silenced war has claimed over a million lives and caused widespread famine.

The futile conflict between Ethiopia and Eritrea to secure control of arid, rocky border areas likewise drew on. The pause agreed on in January and the international mediation failed, although Eritrea's endorsement of the OAU's peace plan in February is cause for a certain amount of optimism. These two countries, whose populations live in dire poverty, hold different conceptions. Whereas the Ethioplan regime is based on extreme nationalism, Asmara has its sights set on unifying the ethnic and religious mosaic and dreams of becoming an African Singapore.

Since Somalia was left by the West to its own devices eight years ago it has been immersed in a total power vacuum that encourages fighting between rival clans. Meanwhile, the civil war continues in Burundi, and the lifting of the economic sanctions imposed by the countries in the region in January has been to no avail.

Two countries of sub-Saharan Africa deserve particular attention: Nigeria and South Africa. The first elections held in Nigeria after 15 years of military dictatorship marked the final stage of an "African-style" democratisation process that ended in May, when the military handed over the power to a civilian, the retired general and former head of state Olusegun Obasanjo. Mr Obasanjo, who had previously ruled the country for 12 years following a military coup, returned to power by means of the polls. But Nigeria's weakness lies just as much in racial tension (as evidenced in the elections, where what mattered was not the parties but what tribes the candidates belonged to) as in the army, which despite having been in power for decades, has been unable to create a unitary national awareness. This inter-ethnic problem triggered violent clashes between tribes in Lagos at the end of the year.

In South Africa, Nelson Mandela's powerful personality led him to mediate in many conflicts. These interventions are motivated by the aim of the ANC, the governing party, to pursue a very powerful foreign policy. During the year Pretoria tried to take advantage of internal rioting in Lesotho to gain control over this small kingdom where a major system of reservoirs is being built which could provide South Africa with the water it needs. It was backed only by Botswana, itself engaged in a latent dispute with Namibia over the river Chobe that separates the two countries. The differences between Namibia and Zimbabwe, on the one hand, and South

Africa and Botswana on the other, within the Southern African Development Community are a bad omen for the future of this regional organisation in which Pretoria runs the show.

The election in June gave the power to Mr Mandela's successor and deputy president, Thabo Mbeki, who announced he would put an end to the inequalities and privations inherited by the black population and would deepen national unity. These words are, in general, too demagogic, although we should be fairly confident that he will follow Mr Mandela's line of politics.

The parliamentary elections held in Equatorial Guinea resulted in a win by absolute majority for the PDEG, the ruling party. This enabled Mr Obiang to make a fresh move to dissolve the parties and return to a single-party system since, according to the Political Parties Act, groups that do not win any seats are automatically outlawed. This led the opposition to talk about "electoral rigging". But we should also consider the fact that, after investing 100 million dollars in oil prospecting, Hispanoil stopped exploiting this resource in 1988, alleging that it was not a profitable business, only to be replaced shortly afterwards by two US companies that have got Guinea to produce its current 85,000 barrels of high quality crude oil, which account for half of the country's revenues. This shows the total lack of foresight both of the company and of Spanish policy.

Before ending, we should recall the death in October of former President Nyerere, the father of decolonisation and pan-Africanism, who, after proclaiming Tanganyika's independence in 1967, changed its name to Tanzania and became one of the most charismatic and internationally respected African leaders.

CHAPTER TWO

THE BUILDING OF EUROPE

THE BUILDING OF EUROPE

By Javier Pardo de Santayana y Coloma

AN ASSESSMENT OF 1999

The entry into force of the single currency in 1999 marked the end of the first, purposely economic stage in the building of Europe and gave an important boost to the development of political Europe. The Kosovo conflict threw the forecasts for the pace and sequence of such developments off the mark and caused Europe's patience to snap under the strain of the need to acquire a defence capability. This need had been patent since the Balkan volcano began to show signs of activity.

One of the keys to this new impetus was London's change of attitude. The United Kingdom's customary misgivings about the European project had partially left it on the sidelines as far as the process of building Europe was concerned, although this had not overly decreased its benefits. The significant step taken by the European Union in adopting the single currency seems to have acted as a salutary lesson, spurring the British leaders to take the initiative. This reaction was first observed in the field of defence in late 1998. It is assumed that London takes a fairly similar view to Washington on such matters; however, at the Anglo-French summit of Saint-Malo (4 December 1998) the UK shared common ground with France's position. And the attitude of Paris, which was keen to take an active role in the European defence project that was then beginning to take shape, could not fail to be affected by France's uncomfortable position in NATO.

The Saint-Malo initiative was subsequently addressed and strengthened at Toulouse, Bremen and, particularly, Cologne, gathering considerable momentum towards the end of the year. It consolidated the habitual distribution of roles whereby Europe would be limited to Petersberg-type missions and its defence would remain in the hands of the Atlantic alliance. Answers emerged regarding the uncertain future of the Western European Union; the solution proposed favours the abolishment of this body, whose acquis will be used to equip the European Union with the capability it needs, particularly in planning, evaluation and intelligence. To put it more simply: the future defence players look like being the Atlantic alliance and the European Union, whose capabilities in this field are partly built from existing resources. It is assumed that, in addition to those inherited from the Western European Union, the EU will take advantage of those of the many different bilateral or multilateral forces that have been set up more or less anarchically in past years as a result of different initiatives (Eurocorps, Eurofor, Euromarfor...).

It remains a curious fact that this solution should have been accepted so readily by most of the European countries, some of which, such as France or even Spain itself, advocated the survival of the organisation that goes by the now misleading name of Western European Union. The reason may be that, in view of the need to give a definitive boost to the development of a common European defence capability, the British initiative was a welcome godsend. Furthermore, the foreseeable formal disappearance of the Western European Union should ward off some of the problems caused by Europe's "variable geometry".

In view of the fresh impetus towards the shaping of a European defence identity, it seems necessary to point out that everybody has participated in the building of Europe. The most powerful countries should avoid the temptation to decide matters between themselves and let the rest merely accept faits accomplis. The danger of this occurring is particularly evident in the building of a European defence industry, bearing in mind the steps taken so far in this direction. The signing of the Letter of Intent (LOI) on 8 July 1998, which provides for the merger of the German, Spanish, French, Italian, British and Swedish defence industries, triggered a reaction from the European Union purchasing countries and from Norway and Turkey, who met at Amsterdam in February to sign a joint document. These countries' criticisms are directed at the intention to create a European defence industry without taking into consideration a broad sector of demand. Neither does the United States appear to agree with the

course of action the signatories of the LOI have taken: while it accepts and even applauds the establishment of a common European defence as currently conceived, that is, as a supplement to NATO, it does not view favourably the mergers and groupings between solely European enterprises, as it would like to join these initiatives. It therefore claims that there are already links and a good level of technological exchange. One of the more noteworthy mergers carried out in 1999 is that of DASA of Germany and the French companies Aérospatiale and Matra to form the European Aeronautic, Defence and Space Company (EADS), the third biggest of its kind in the world and the biggest in Europe. Spain's CASA holds a 6% stake. The latter has committed a total of 60 billion pesetas to future investments, of which 40% is earmarked to Airbus and 20% to Eurofighter. As for the development of the LOI, the relevant projects had been submitted to the respective governments by the end of June, in strict accordance with forecasts and schedules.

The Atlantic alliance commemorated its 50th anniversary with two major events that will go down in its history and prove that it is indeed appropriate to speak of a "new-look NATO": the adoption of a new strategic concept and the military intervention in Kosovo. The two occurrences are interrelated, since the military intervention in that region of the Balkans is an example of the new missions this strategy entails. As stated above, the Kosovo conflict turned out to be highly revealing, but not only with respect to Europe's limitations; it also showed that cohesion prevailed over certain specific discrepancies and highlighted the willingness of new and future members to take part in common defence initiatives.

Although, as pointed out earlier, the need for a European defence capability has become a major issue—or, indeed, precisely for that reason—1999 also witnessed a new and apparently definitive boost to the process of defining and organising a common foreign and security policy, with the long-awaited appointment of a "Monsieur PESC" or "Mr CFSP". There is a conviction that his appointment is crucial to achieving the desired development of this policy, which began to be drawn up some time ago. Indeed, four target areas of a common foreign and security policy were defined back in 1998 at the Vienna summit (Russia, Ukraine, the Mediterranean and the Balkans). The appointment of a Spaniard, Javier Solana, at the time NATO Secretary-General, as "Mr CFSP", seems to respond to the general interest in ensuring that the definition and co-ordination of this policy is accompanied by the building of a European defence capability and that the European identity does not only not upset the tran-

satlantic link, but actually enhances it. And the fact that the idea of appointing a technocrat was ruled out and a person with considerable political clout was chosen—and even made secretary-general of the WEU—also indicates a wish to give impetus to shaping political Europe. Also worth mentioning in this connection is that fact that the possibility of enhancing the meetings of the European Union's General Affairs Council with the presence of defence ministers has been institutionalised.

For its part, OSCE joined this initiative by signing the European Security Charter and approving the adapted CFE treaty—albeit with certain misgivings about Russia's readiness to fulfil both commitments.

The Kosovo conflict, which had been brewing for some time, put the process of building Europe and the alliance itself to the test in what were indeed difficult circumstances. For the fact that the reason for NATO's intervention was flagrant violation of human rights inside a sovereign state made this action a case of interference and therefore also an experiment. The United States' participation overshadowed that of Europe, but the widespread conviction that peace cannot be built on weakness or consent but rather on justice became patent. The intervention was basically carried out according to US strategic guidelines, and although these were harshly criticised for their apparent lack of effectiveness and for the counterproductive effects they initially generated, they eventually brought a fairly satisfactory result, although the desired reaction from the Serbs, who, it was hoped, would overthrow the Milosevic regime, was not achieved. Europe's presence in the phase following the bombing operations was considerably more lucid.

Together with the significant progress made in 1999 towards shaping the European Union's political dimension, the foundations were laid for developing another very important area: that of justice, which in many aspects is also related to security. A substantial achievement of this effort, which was given a boost at the Tampere special European Council organised on a Spanish initiative, is the agreement on the future creation of a European judicial area.

Displaying its wish to secure a world presence and image in consonance with its new condition as a major economic power, the European Union embarked on a highly ambitious strategic initiative of special interest to Spain and Portugal at this year's Rio Summit—the establishment of a broad-spectrum (political, economic and cultural) association with the Latin-American world.

The euro fell steadily against the dollar, particularly during the first half of the year, and despite picking up to an extent during the latter half, was verging on parity with the dollar by the end of November. The main reason for this was the excellent progress of the US economy and the rise in interest rates in that country, together with the slackening of several of the key European economies, among them Germany, though the Kosovo conflict did not help the European currency either. At any rate, the European Central Bank, whose director did not cease to stress the euro's comeback potential, was not overly concerned by this situation. Indeed, the single currency has constituted a permanent stability factor while the countries facing greatest difficulties, such as Germany, as mentioned, and Italy, recover. The leniency shown towards the latter, which was authorised to overstep one of the limits established for convergence, led some to fear an easing of the stringency which was considered essential for consolidating the success achieved with the convergence that enabled monetary union to come into being.

Confirming the European Central Bank's opinion on the future of the economy, in September Mr Düisenberg stated that Europe is at a stage of lasting economic growth. According to him, the Union should take advantage of this encouraging outlook to reduce debt substantially and promote economic policies that translate into job creation.

Europe's optimism about its own building process is worthy of mention. The significant step of unifying the European currencies does not appear to have sparked any fears in European society, which is showing considerable self-confidence vis-à-vis the risks this adventure could entail. But it should not be forgotten that, as Professor Velarde has pointed out, there are always risks in the economic field and these stem from the danger of any blunder made by the monetary authority, Germany's straying from the path, or a possible slip by the United States.

The positive signs observed on the international economic scene, particularly the Brazilian economy and several Asian countries, influenced the mood of the finance ministers, central European banks and central banks of the G7 countries, who did not show the same urgency as in 1998 at their April meeting. They merely called for greater flexibility in foreign debt issues, without pointing to the need for specific reforms in the financial system.

On the institutional front, the year was ushered in by a serious crisis that ended in the resignation of the entire European Commission. The

pressure from the Parliament, which accused several commissioners of nepotism and failure to weed out corruption, was motivated by a desire for deep change. The real issue in hand was the need to progress towards a greater democratisation of the European institutions, through greater control of the Commission by the European Parliament, which would serve as a counterweight to the so far excessive power of the commissioners. The appointment of Romano Prodi and the new composition of the Commission following the European elections were a source of great hope, though a new style of relationships has yet to be organised. It is therefore not sufficient to draw up an ethical code; it is furthermore necessary to adapt the institutions to the new times and the demands of European ambition. And it is worrying that this situation did not stem from reflection and consensus, but rather from a painful growth crisis triggered by the transition from the good old days when the European adventure had an aura of novelty and rested in the hands of just a few.

The Kosovo conflict had little impact—at least, direct—on the economy. The stock markets did not record appreciable turmoil. Even in the throes of the conflict, the president of the European Central Bank decided to lower interest rates to 2.5%. This measure seemed to be designed specifically for the benefit of Germany, Europe's driving force, which was experiencing major problems, and caused a certain amount of concern in other countries such as Spain, which feared negative repercussions on inflation. When inflation rose above the Spanish government forecasts, the half-point increase announced by the European Central Bank on 4 November was welcomed with relief. This decision, which was taken after Germany showed a certain degree of economic recovery and expectations of an inflationist trend had been perceived across the euro area, particularly as a result of the rise in energy prices and foreseeable wage increases, caused no surprises and came at the right time, since it was seen to anticipate possible future problems.

At the beginning of May, Amsterdam, Brussels, Milan, Madrid, Paris and Switzerland joined London and Frankfurt in the ambitious project to create a common European stock market. This was a highly significant step in that a pan-European stock market could surpass Wall Street trading by 20%. There is no need to explain that this initiative is directly linked to the adoption of the euro as single currency.

On the political front, a number of interesting and encouraging phenomena have been observed, such as an ease in terrorist pressure in

Europe, though ETA's announcement at the end of November that it would go back to kidnappings and killings dashed hopes of normalisation. Another salient feature was that traditionally very polarised political positions moved closer together. The quest by the parties regarded as "left-wing" for a third way and the shift towards the centre by others held to be "right-wing" reflect a common tendency to seek balanced and efficient formulas with room for appreciable shades of meaning but not extreme ideological stances. These movements also indicate the need that is being felt to design political solutions that are better suited than the current ones to the complex world towards which we are heading.

Bearing in mind that the Christian spirit is one of the most substantive features of being European, very special mention should be made of the importance that the 1999 meeting of the continental synod in Rome attached to the process of building the Union. The meeting recalled that the element which draws together and integrates the members of this Union should be loyalty to the humanistic and Christian tradition and the predominance of ethical and spiritual values without which there can be no "true and fruitful union". Some features of the future Europe were also defined, such as its multiethnic and multicultural nature, as well as integration.

THE SPECIAL BERLIN SUMMIT

The special summit held in Berlin at the end of March was surrounded by a number of circumstances that subjected it to great pressure. The resignation of the entire European Commission had created a worrying vacuum and added an extra item to the already lengthy agenda. The summit also coincided with the start of some air strikes on Serbia, which attracted general attention. As if this were not enough, the discussion about agricultural reform and the future funding of the European Union had become so heated that it was seriously doubted whether an agreement could be reached. For example, Germany's categorical stance towards financing, seconded by the so-called "Group of Four", once again showed signs of inflexibility and endangered the survival of the structural and cohesion funds, whereas France arrived at the meeting determined to renew negotiations on agricultural reform, invalidating the agreements reached only days earlier by the agriculture ministers of the Fifteen.

The summit made a virtue of necessity. The pressure of the institutional crisis called for a prompt decision to prevent this issue from exerting

a disturbing influence on a meeting designed to establish a road map for much of the Union's future and while some wanted an immediate change of names, others, like the president of the Spanish government, preferred the commissioners to continue for an interim period to prevent the crisis from interfering with the process of Agenda 2000. An Italian, Mr Prodi, was appointed new president of the Commission, and the commissioners were temporarily kept in their posts. For reasons of timing, Mr Solana did not appear to be a wise choice of candidate owing to his commitments to the Kosovo intervention, and this enabled Mr Prodi to secure general support. Thus, at a critical time, the European Union projected an image of cohesion and efficiency that was highly beneficial to Europe.

Mr Prodi's appointment marked a success for the German presidency and gave rise to hopes that an agreement would also be reached on other issues. In any event, the circumstances made it advisable to continue to show signs of cohesion. The clash of interests was, however, very violent and the scarce time available for reaching an agreement added to the pressure of the initial differences of positions. All this created an unmistakable feeling of pessimism.

Spain took a leading role in the negotiations, defending the continuance of the structural and cohesion funds and the validity of the provisional agreements adopted days earlier by the farm ministers. The Spanish premier, backed by reasons of substance relating to the spirit which inspired the building of Europe, firmly maintained his refusal to sign the summit document until it reasonably met his objectives. The tension mounted to the extent that until the very last minute it seemed that no agreement would be reached.

The decisions of the special Berlin summit endorse the policy of European solidarity, while to an extent redressing the balance with respect to contributions. The United Kingdom gets to keep its "rebate", but there is a new distribution of contributions. As for agricultural reform, this basically respects the agreements previously adopted by the farm ministers, which are acceptable from Spain's point of view.

The results of such complex and controversial negotiations should not be judged simply by comparing what each nation obtained or contributed previously and what it will obtain or contribute during the new period of funding. As realists, we cannot ignore the powerful threat that the drastic changes proposed by Germany and its followers pose to Spanish interests and to the European spirit of solidarity, and France's position with

respect to agricultural reform. The insistence of Chancellors Kohl and Schröder, the considerable support they obtained and the specific weight of the countries promoting those initiatives considerably weakened the likelihood of reaching an agreement that was acceptable to Spain. Fortunately, the results of the Berlin summit not only respect Spanish interests with regard to essential aspects, but improve its balance qualitatively. This was pointed out by the *Financial Times*, which considered that the countries that came out of this struggle the best were Spain and the United Kingdom.

Some of the decisions of the special Berlin summit amounted to leaving the enlargement dates for the European Union in the air, since the current financial ceiling is not compatible with maintaining the policy of solidarity towards the countries that currently benefit from it, enlarging it to take in new members and the expenses inherent to enlargement. The would-be applicants with the best prospects scarcely reacted. However, in October, one of the first initiatives of the new Commission was the announcement of the intention to begin enlargement negotiations with all countries wishing to join, setting 2002 and 2003 as dates for the lead group (Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus) and, at the same time, encouraging Romania, Bulgaria and Slovakia, which would have to wait six or seven years. It will be interesting to see how the funding problem is addressed when the time comes.

It would appear that the sensitive problem of Turkey's possible accession is being addressed by recognising this country as a valid candidate and giving the approximation process an appearance of normality, without airing excessively the widespread conviction that the country still has a long way to go before it meets the conditions required of it. In this matter, which is linked to the accession of Cyprus and arouses misgivings from Greece, the Ankara government has the United States as its main advocate and champion. Indeed, in November, during his trip to Turkey, President Clinton strongly urged the European Union to open its doors to this country without further delay. And, although he not only recognised the existing obstacles to Turkish membership but was even harsh in his address to the Turkish parliament, pointing out that the country still has a long way to go on the road to compliance with the Universal Declaration of Human Rights, he argued that these problems would be more easily resolved with a commitment to full integration. With respect to the disputes that distance Turkey and Greece, the new attitude that first arose out of the mutual support given after both countries were devastated by major

earthquakes, and the success of the OSCE summit in Istanbul, seem to have created an atmosphere that is more favourable to Ankara's aims, which were backed by Mr Aznar at his meeting with Mr Ecevit.

THE WASHINGTON SUMMIT

The Washington summit slated for April was not accompanied by a triumphal celebration of the 50th anniversary of the founding of the Atlantic alliance. The Kosovo war make it advisable to use the term "commemoration", and events were limited to a token gesture. NATO in this respect showed sensitivity and good taste.

Although, in general, the summit was interpreted in terms of the Balkan war, it nonetheless was a landmark in the development of the "new-look NATO". Indeed, as was only to be expected, the agenda of the summit included Kosovo, though it served basically to approve the new strategic concept, which replaces the one adopted in 1991. The establishment of a new strategic concept reaffirms the alliance as an instrument of the future. Its scope is defined as the "Euro-Atlantic area", the limits of which are not specified. This endorses Europe's decision not to go any further than is prudent in this issue, as opposed to America's initial intention, which was considerably more ambitious. The Kosovo conflict bore out Europe's opinion with forceful reasons.

NATO thus envisages possible actions as a sort of "regional organisation" and not as the world's gendarme. This should be understood by the public opinion of the European nations, which occasionally criticises lack of military intervention in blatant cases of human rights violations far from our continent.

The dilemma of whether or not a mandate was required for intervention was wisely settled by seeking inspiration in the aims and principles of the United Nations Charter, yet without depending on an express decision of the UN, since certain nations hold veto power over the Security Council and can thus block any action, however fair it may seem to a substantial part of the international community. This focus makes NATO a regional organisation "at the service of the United Nations", but with its own decision-making capacity. The UN is thus a respected organisation whose principles govern the action of the alliance, though the dangers of ineffectiveness are recognised. The importance of respecting the most fundamental human rights requires cases of serious and patent violation to be

resolved with faultless timing, overcoming the obstacles posed by the international mechanisms themselves. The Atlantic alliance thus assumes a moral authority.

As for the European Security and Defence Identity, the new strategic concept commits Europeans to taking greater responsibility and furnishing the European Union with a defence dimension. The boost given at Washington reflects the fact that the United States is not so sure of being able to monopolise crisis-management efforts and ensure stability, and therefore does not view the possibility of a European partner unfavourably. The NATO member states that do not belong to the EU were given certain guarantees of participation.

A decision taken at the Washington summit which will have to be monitored with attention is the launch of the "Defence Capabilities Initiative", which was initially regarded as a proposal of particular interest to the US, though it later aroused Europe's interest. The study to which it gave rise, under the supervision of a high-level steering group that has to report on the progress obtained every six months, should help define demand in the Euro-Atlantic area and will therefore be important for the European defence industry.

NATO's anniversary was commemorated with the presence of its three new members: Poland, the Czech Republic and Hungary. There was insistence that the Atlantic alliance should continue to welcome new accessions, and it was pointed out that the three new members will not be the only newcomers. No country was specifically designated a candidate, though significant mention was made of Romania and Slovenia.

With respect to the Balkans, the creation of a sort of "Marshall Plan" to stabilise the region was announced at the summit. The plan would not only reward the border countries for their support for NATO military action in Kosovo, but would also compensate them for their sacrifices and for any negative repercussions they might suffer as a result of the war and, above all, it would promote stability by fostering progress and well-being. This plan should make a very positive contribution to building confidence in the future and enable the Balkan states to feel involved in a common project that should favour them all, even Serbia itself, once freed from the Milosevic regime. It should naturally fall to the European Union to finance this plan insofar as this task affects its own community and because the United States' contribution to the military effort was much more substantial than that of the EU countries.

The Washington summit provided a suitable backdrop for demonstrating NATO's cohesion and proving that it had not suffered as a result of the differences that surfaced on certain aspects of the Kosovo campaign. The support received from certain non-member states, such as Serbia's neighbours, strengthened the alliance's position considerably and the decisions it made regarding the war, at a time when it was being criticised by many who were impatient at the long-drawn out air campaign, which had not yet harmed the political structure of the Milosevic regime as hoped. At Washington the pressure on the Yugoslav leader was increased by the threat of a blockade, following the destruction of much of the infrastructure linked to oil resources, and a logical step would have been to block the entrance of fuel supplies. But this initiative was eventually cramped by excessive sympathies with "a la carte" solutions.

THE KOSOVO CONFLICT

The reaction to the situation that Mr Milosevic had created in Kosovo with the backing of the Serbian people shows that Europe was aware that what was at stake in the Balkan region is crucially important for the building of Europe. There seems to be no doubt that, on this occasion, the historic memory of the disastrous consequences of failing to use force to prevent genocide was a powerful influence in accepting to the challenge. However, Europe's weak-willed attitude caused the United States to take much of the initiative in settling the conflict, and this led to a certain loss of prestige of an institutionally incomplete Europe that still lacked a political strength to match its economic strength. The Kosovo conflict alerted Europe definitively to the urgent need to provide Europe with its own defence capability. This urgency disturbs the natural evolution of the European project, since it means that it is no longer possible to wait patiently for the long term that requires the prior development of a security and defence policy and, subsequently, a hypothetical defence policy. Therefore, Kosovo was a stimulus, as reflected in the decisions of the Cologne summit, to giving a definitive boost to some initiatives that began to emerge in late 1998.

The Kosovo conflict confirmed—and this was particularly evident from the attitude of the UN secretary-general—the acceptation of the use of force in blatant cases of human rights violation, even though NATO's decision to act without an explicit mandate sparked some minor protests. The lack of a mandate showed the United Nations' shortcomings and con-

firmed the need for a reform to overcome the inefficiency of the current system of vetoes, whereby actions required for humanitarian and justice reasons can be blocked out of political motives. But the Kosovo experience not only confirms the need for structural reform; it also points to the advisability of establishing objective criteria to define the intervention threshold. The application of these criteria (recognised, serious and blatant violation of human rights, as in the case of genocide) should warrant an all-round response of solidarity and prevent certain countries from blocking it through veto. The incorporation of the United Nations to the peace plan as temporary administrator of a sort of protectorate in Kosovo partially restored the organisation's lost dignity.

Kosovo was an acid test for the credibility of the Atlantic alliance. It was clear from the outset that NATO could not afford to fail, and this was the greatest confidence factor in the face of the many doubts about the strategy that was applied. In fact, unlike what occurred in the Gulf war, the military intervention was merely a reinforcement to back the negotiation policy. The aim was to force a decision that had previously been attempted using other types of pressure. This is explained by a number of factors: the limited nature of the objective; the political restraint of the US and Europe, whose governments were concerned about the mere possibility of casualties among their own forces, however few; the application of new strategic, primarily high-tech trends; and the undeniable fact that military intervention would be conducted against a sovereign state owing to events occurring inside its borders. The end product warped the principles of the art of warfare and took a long time to bear fruit, giving rise to an intermediate stage during which the situation of the Kosovars, whom the operation was intended to protect, actually worsened. The final outcome, while satisfactory, left a certain bitter aftertaste that called for reflection and will condition future interventions.

Positive aspects for the Atlantic alliance that should be highlighted are NATO's solidarity, which was put to the test and came through with flying colours, demonstrating considerable tenacity in the face of fluctuating public opinion. The new members and aspirants were also put to the test, and the periphery of the Balkans was consolidated as a part of the European project. The alliance was particularly wise to insist on bringing Russia into the picture to settle the conflict, despite the country's opposition to NATO action. The lessons learnt from Kosovo also influenced the drawing up of the new "strategic concept", even if only to ratify the reason behind some decisions.

Moscow's attitude once again revealed the hangover of a cold-war way of thinking and the tension that tends to mount in Russia between its pride as a major power and its real clout. Indeed, Russia's stance throughout the conflict evidenced its weakness. No other deduction was possible from the contradiction between its stance—opposition to NATO intervention—and its role as a champion of NATO requirements. The "friendly country's" attitude towards Serbia, when European public opinion was fully aware that the most basic human rights were being violated in Kosovo, merely damages its own prestige and shows that the concept of "areas of influence" prevails over principles in political thought.

The deterioration of the mechanism of institutional relations between Russia and the alliance endangered years of painstaking and careful work. However, once the Kosovo conflict was over, it was not long before the existing ties were re-established. Scarcely a month after the air strikes ended the NATO-Russian Joint Council met once again in Brussels. This fact is extremely reassuring and quite significant with respect to ascertaining where Russia's true interests lie, over and above token gestures for the benefit of the Russian people.

The powerful US military intervention confirmed Washington's interest in Europe, although its traditional isolationist trends were glimpsed from time to time during the conflict and the influence that the country's domestic policy can have on European problems became apparent.

As for events in the Balkan region in general, the Kosovo conflict triggered a surprisingly scant reaction in Bosnia-Herzegovina, where outbreaks of violent movements in support of or against military intervention might have been feared. It is hoped that the intervention has served as a "warning to sailors". The preventive action in Macedonia and Albania yielded results and guaranteed stability in both countries. The presence of NATO forces in those countries and the Kosovo war itself have raised hopes that the international community will devote its attention and resources to the region.

On the negative side, it should be stressed that the long time taken to settle the conflict using military means led the Kosovar population to adopt a more radical position that has deepened the scars and will make it quite difficult to re-establish its autonomous status. It will also hinder the development of a harmonious relationship between Montenegro and Belgrade. In short, the metastatic effects of Kosovo have caused the Balkan cancer to set in and are drawing out and complicating the process of

finding a global solution to the problem. In this respect, mention should be made of the weakness of the Serb opposition, whose internal division has gradually dampened the initial drive witnessed after Mr Milosevic capitulated. The firmest and most significant attitude towards the latter was shown by the government of Montenegro, who went as far as openly provoking him to recognise officially the German mark as a parallel currency, thus isolating themselves from Belgrade's "destructive monetary policy".

Public opinion from the outset was in favour of military intervention, so much so that there was a certain amount of impatience for operations to begin. This attitude was fuelled by historical memory and moral reasons. This impatience was again witnessed, however, when the bombing drew on and the achievements appeared to be scant. Volatility and fatigue of public opinion were thus some of the most salient features of the reaction. There was also considerable confusion when assessing political and military aspects and what were described as surgical "errors". Pilots were even reproached for failing to place their own lives "more" in danger. All this points to the need to illustrate more effectively to public opinion certain aspects that relate, respectively, to principles, procedures and means. In the case of the first, it would be advisable to explain the geographical limits the Euro-Atlantic community establishes for intervening, whatever the nature of the conflict, and even if moral reasons are conducive to action. Regarding the second, it should be explained how political-military dialogue works within the alliance and what the respective fields of initiative and responsibility are. As for the third, better information needs to be provided on the limitations of high technology applied to weapons and used in the context of the "frictions" inherent in combat.

No doubt many lessons could be learned from the Kosovo conflict from the military point of view. For a start, it has shown once again that every conflict is different. Indeed, the Kosovo conflict bore little resemblance to that of Bosnia-Herzegovina, to take the case in point. It also demonstrated that political conditioning can constrain military action to the point of undermining its efficiency or contravening the classic principles of warfare, such as surprise. The most obvious example was the failure to take advantage of such an economical and effective pressure element as doubt about the possible use of ground forces.

Admittedly, on the political front, Europeans concurred between themselves and also with their North American partners in their perceptions of what was essential: the seriousness of the situation and what was

at stake in this crisis. Also worthy of note is the consolidation of the right and duty to intervene on humanitarian grounds and of the dual tactic of force and negotiation. On the negative side, there was a spineless attitude to the use of force, which indicates a certain lack of courage when it comes to facing up to sacrifices, for fear of the reactions of public opinion. Errors of perception also seem to have occurred with respect to the reaction of Mr Milosevic and the Serb people.

The armed intervention triggered a crisis between the "western" countries and Russia and China. Although there will be some scars, this crisis should not bring about any drastic changes in relations between these countries. The conflict tested Europe's willingness to defend both the principles that underpin the idea of the Union and the very process of building it, and should therefore have the effect of demonstrating this to the world in general.

THE STABILITY PACT

The Stability Pact is a strategic initiative with far-reaching consequences, brought about by the spread of the Balkan turmoil to Kosovo. It is aimed at addressing in grand style a global solution to the region's problem. After using the scalpel to prevent irreversible damage, the idea is to apply a treatment not only to remedy the recent crisis but also to normalise and give fresh impetus to the region as a whole, offering the Balkan countries ambitious prospects of joining the European and Atlantic institutions. The course of action address three areas: democratisation, economic development and security. The plan arising from this Pact, which was signed by 39 countries and 17 international organisations and institutions, should provide a stimulus to the beneficiary countries and, in the long run, spark a reaction within Serbia—which will be excluded as long as Mr Milosevic remains in power. It should be pointed out that, logically, Kosovo and Montenegro, that is, a good part of Yugoslavia, are included among the nations that will benefit from the Pact. The Pact was signed in Sarajevo, a symbolic city bearing in mind its objectives, under the presidency of the Finn Martin Ahtisaari as the European Union's senior representative. Yugoslavia was represented only by Montenegro and by some opponents to the Serb regime. The plan establishes an incentive for the Balkan countries to co-operate with each other and establish good neighbourly relations, since their behaviour in this aspect will be one of the criteria for assessing the allocation of resources.

The plan also establishes the signatories' "shared responsibility" in building a united, democratic and peaceful Europe, and reaffirms the invariability of its borders as established during the gestation and development of the Kosovo conflict. The key idea is that from now on the borders between the Balkan countries should not be regarded as lines of confrontation but rather as an opportunity for co-operation and contact.

In September the ministers of foreign affairs met at the so-called "regional table" to establish the schedule and headquarters of three working groups, each of which will concentrate on one of the three aforementioned lines of action: democratisation, economic development and security. The United States immediately announced that it would earmark $700 million to this plan, once again getting one step ahead of the European Union, which must nonetheless bear the financial brunt of this large-scale operation.

The Stability Pact is designed to be a long-term solution to a chronic problem. The decision that has been made is, in itself, a fact of considerable strategic and political significance and will be a major test for Europe, which will have to demonstrate its perseverance and determination in putting it into practice. Success is not guaranteed in advance, but the real progress already made in the Utopian project of European union and the importance attached to solving the Balkan problem as a requisite for achieving the very objective of political union are grounds for hope, despite the undeniable difficulties this challenge entails. Indeed, the challenge is of such significance that Europe cannot afford to fail.

THE COLOGNE SUMMIT

The Cologne summit constitutes a crucial point in the process of building political Europe. Decisions of paramount importance to this process were taken early in June, coinciding with the surrender of Mr Milosevic, endorsed by the Serb parliament: the establishment of a timetable for the definitive institutionalisation of the European Security and Defence Identity and the appointment of a "Mr CFSP" or "Monsieur PESC". This timing is by no means sheer coincidence. The tension between the pace of progress in building Europe, which for the sake of prudence should be slow in order for the changes to be properly assimilated and not overly forced, contrasted with the urgent need to solve the Balkan problem, which on this occasion was accentuated by the open conflict in Kosovo.

The surrender of the Serb leader, who accepted each and every one of the conditions required by NATO, came after an extremely intensive series of negotiations entrusted to Mr Chernomyrdin, the Russian president's special envoy, the Finnish prime minister Mr Ahtisaari as representative of the European Union, and the US deputy secretary of state Mr Talbott. The peace plan drawn up by G7 plus Russia and presented by Mr Chernomyrdin and Mr Ahtisaari reflected the requirements of the alliance and included the idea of an interim administration in the form of a sort of protectorate under the authority of the United Nations. Kosovo would politically remain part of Serbia but with wide autonomy, while the Kosovo Liberation Army (UÇK) would be required to surrender its weapons.

Meanwhile, at Cologne, Europe at long last took the bull by the horns and gave decisive impetus to a process marked by milestones such as the informal summit at Pörtschach, the Anglo-French summit at Saint-Malo, the Vienna European Council and the Bremen ministerial meeting, and boosted by the entry into force of the Amsterdam Treaty on 1 May. The decision was twofold. On the one hand, it was agreed to integrate the Western European Union into the EU, incorporating its capabilities into the European Union. On the other, Mr CFSP, that is a high representative for Common Foreign and Security Policy, was at long last appointed, giving this policy a specific face. His activity could be compatible with the post of WEU secretary-general. A complementary aspect of these decisions was the determination to strengthen the Strasbourg-based Euro-corps, with the idea of making it a European reaction corps. Basically, the aim is for the CFSP to be backed by credible operational resources with sufficient deployment capabilities, sustainability, interoperability, flexibility and mobility.

The foundations were thus laid for a common defence after overcoming the reluctance of the non-NATO European countries (Ireland, Austria, Sweden and Finland), which feared that the link between European defence and NATO could jeopardise their condition of neutral states and prevent them having a say in decisions. Also worth mentioning is the fact that the neutral countries ended up recognising that Europe needs to be provided with a credible defence capability, although they remain wary of this initiative. The appointment of Mr Solana as "Mr CFSP" came up against resistance from Greece and Italy, which claimed that his condition of secretary-general of the Atlantic alliance and his involvement in the bombings of Serbia made him unsuitable. France, for its part, wanted to postpone the designation so that it would coincide with the share-out of

European Commission portfolios. It was thus appropriate that these discussions should come at the same time of Mr Milosevic's surrender.

The choice of Mr Solana as "Mr CFSP" was no doubt motivated by the perception that the development of a European defence capability is essential and cannot be left *ad calendas grecas*. This perception stems from the pressure exerted by the Balkan cancer, which altered the pace of progress of a process that was expected to be slower. Indeed, it is interesting to note that whereas the fact that there could be no European defence without a common foreign and security policy was underlined, the current tendency is to express the opposite idea, that is, highlighting the fact that a common foreign and security policy is unthinkable unless it is backed by a suitable defence capability. This breaks the sequence of events established at Maastricht and raises defence to a higher-priority status, as if it were a fourth pillar. There is also a certain change of expression: the emphasis on achieving an "identity" has now been superseded by a focus on the need to achieve a suitable defence "capability". Mr Solana's track record as NATO secretary-general during a period of intense military activity and his experience as minister of foreign affairs make him a particularly suitable person to tackle the task of organising a foreign and security policy, incorporating the powerful support of the aforementioned defence capability—and all this without upsetting the transatlantic link. His aforementioned experience both in international politics and in security and defence and his proven negotiating skills will enable him to set about this pioneering task, which will require considerable initiative, fully aware of what this entails. However, the task is assumed to be complicated, not only because of its intrinsic difficulties, but also because of the lack of a support structure and the considerable internal and external resistance it must overcome. These difficulties soon came to light at the special summit at Tampere, with the rejection of the Franco-German initiative to enhance the powers of the High Representative for Common Foreign and Security Policy so that he could set the standard at the meetings of foreign ministers.

His successor Lord Robertson, as a Briton and former UK defence secretary, presumably brings a firm will to the NATO post and readiness to agree to a possible intervention should the need arise, although it should be pointed out that the role of secretary-general is not as decisive as is widely believed. On his first visit to the member states, Lord Robertson spoke in demanding terms and somewhat harshly about what the contribution of the European allies should be, reminding them that if they wish

to play an important role in NATO they must also put a bigger effort into guaranteeing security.

The adaptation of the Euro-corps to the Petersberg-type missions to which the European defence capability is geared requires lighter forces, as it is currently a mechanised force. Most of the countries are in favour of enlarging it to take in other countries, that is, according to the "5+n" formula. Furthermore, it does not seem advisable to make Euro-corps simply a sort of second ARRC, albeit exclusively European. Neither does it look set to become the European headquarters, as it aspires merely to be headquarters of the ground force or component. In any event, having established its command structure, NATO now urgently needs to design the structure of its force, as this will provide a better perspective for taking the right decisions. A question that will have to be addressed later on is the future role of the many different European forces set up on bilateral or multilateral initiatives.

The process of integrating the WEU into the EU requires using the acquis of the former, bearing in mind that the organisation will have ceased to exist as such. It is intended that NATO should deal directly with the European Union in settling this matter. The process should be completed before the end of 2000. The question arises of whether the date set for the abolishment of the WEU is not rather premature considering the European Union's current lack of knowledge about defence issues, which will surely lead to some assimilation difficulties. But the very fact of having established a date, as Spain wished, reflects necessity and rigour, and the relatively short time available indicates the firm will to boost the process.

It is assumed that "Mr CSFP's" defence efforts will be aimed at establishing a structure for politico-military decision making and another for deciding on, planning and performing military operations, as well as the development of military capabilities for crisis management in Petersberg-type missions. The task of defining a common defence policy will be addressed at a later date.

The defence ministers of the alliance began to toy with an extremely interesting idea for the future of European defence: the possibility of establishing "convergence criteria" like those which achieved such good results in the economic field. These criteria enabled a single currency to be adopted and had other highly beneficial effects such as getting members' economies into shape and establishing practices conducive to countries' favourable

development. By August, President Chirac had proposed the following five guidelines for giving this idea a specific form:

- Adaptation and broader joint management of existing means of information, command and transport.
- Definition of the military capabilities that the Union should have collectively in order to decide on intervention and muster and send forces.
- Definition for each of the fifteen EU members of the level and nature of military resources that the country undertakes to place at the disposal of the community, if required.
- With respect to preparation of the forces, the drawing up of standards for training and joint exercises.
- Harmonisation of the programming of the fifteen countries' equipment needs—a necessary condition for the development of the European defence industry.

Although, in the terms in which they were presented by the French president, these criteria do not establish direct and concrete requirements with regard to defence funding, they do make indirect statements in that they advocate a series of definitions that should be expressed in the form of objectives, to which highly rigorous requirements would probably be applied. Should this idea of "convergence criteria" become consolidated, the essential thing is that they should be expressed in terms of real capabilities as a goal to be attained, irrespective of whether they contain a reference to specific percentages of GDP. These criteria have emerged at the same time as another concept relating to the same concern that is shared by all, including our North American allies: that of the "Defence Capabilities Initiative", which is mentioned in connection with the outcome of the Washington summit.

In the economic field, the Fifteen wished to convey their confidence in the euro and therefore avoided making any clarifying statement about exchange rate trends. The impression of relaxation they gave when they authorised Italy not to meet the target of reducing its deficit to 2% was offset by the common European commitment to the Stability Pact. It was also agreed to hold a special summit during the Portuguese presidency, that is, during the first half of 2000. The summit should address economic issues, particularly stability, financial restructuring, cohesion and employment. The president of the European Parliament warned about the difficulties of attempting to finance the reconstruction plan for the Balkans (for which it was agreed to set up a community agency based in Salonika) and the

enlargement of the EU at the same time. In his opinion, it would be advisable for other countries affected by the aforementioned reconstruction plan to collaborate in this task.

The Cologne summit also approved a European jobs pact and decided to call an Intergovernmental Conference on completing institutional reform. This Conference would start at the beginning of 2000 and carry on throughout the year. For this purpose, it entrusted the Finnish presidency to draw up an initial report specifying the different opinions. The issues to be addressed relate to the share-out of commissioners between countries, the weighting of votes and the extension of the system of qualified voting. As can be seen, the summit did not take any excessively ambitious decisions in this field.

Another important decision taken at Cologne was that a convention should be established to draw up a Charter of Fundamental Rights of the EU.

THE EU-LATIN AMERICAN SUMMIT IN RIO

At the end of June, Rio de Janeiro was the venue for an event of great strategic significance for the future of EU-Latin American relations: the summit of heads of government of the European Union and the Mercosur countries and Chile.

Since America is a cultural extension of Europe, the link between the two sides of the ocean should be considered a natural fact. In the sphere of security and defence, this link has materialised institutionally in the Atlantic alliance, and only affects the northern part of the continent. In the economic sphere, North America is regarded more as a competitor than as an ally, and the association between Europe and the continent therefore tends to be established basically with Latin America and is aimed at countering the dominating influence of the United States.

Spain, as a bridge between Europe and the Latin American world, plays a leading role in this process. This role, which makes it the driving force behind the Rio summit, was recognised by designating it the organiser of the next summit, which will take place in the first half of 2002, coinciding with the Spanish presidency of the European Union.

The Rio declaration establishes the strategic partnership between the signatories in the economic, political and cultural fields and adopts as its objective the formation of a free-trade association across the Atlantic, paving the way for a future single market.

The EU mandate has established the start of the negotiations on tariff barriers for July 2001, although the progress of deregulation of trade will be conditioned by the result of the WTO's so-called "Millennium Round", which, despite beginning in November 1999, is expected to last three years. Therefore, until this Round is completed, the aforementioned free-trade agreement is not expected to be finalised. This new step reflects the current trend in this complex world of interrelations, in keeping with the most ambitious strategic approaches to the building of Europe.

THE SPECIAL MEETING OF THE EUROPEAN COUNCIL IN TAMPERE

The importance of the special meeting of the European Council held in Tampere (Finland) in October goes beyond the specific results achieved. Promoted by Spain the previous year at the Pörtschach summit, it addressed one of the core issues of the European project: the problem of making freedom, security and justice compatible. This notion was adopted on the initiative of Spain as a new objective of the Union and one that has become a major European challenge. When resolved, it should provide Europe with one of the soundest standards of moral authority and its effects should be exemplary.

The terrorist phenomenon lies at the heart of the issue, as well as the pressing problems of drug trafficking and organised crime. It is therefore not surprising that the Council discussions should have been based on a charter drawn up jointly by the president of the Spanish government and the British prime minister. This joint effort by two countries engaged in a quarrel and two leaders of parties of traditionally opposite leanings is paradigmatic and shows to what extent the European arena is bringing what were until only recently very polarised political stances closer together.

The different matters addressed by the Tampere Council boil down to two: the free movement of people and the creation of a common judicial area. Some headway had been made in the latter with respect to criminal affairs, but not in civil matters. The mutual recognition of judgements and the blocking of accounts was one of the points considered; another was the removal of obstacles in extradition processes; and there was also a proposal to set up a permanent secretariat for co-operation in the European judicial network. The meeting ended in a debate on the need to develop a co-ordinated immigration policy.

Regarding the latter issue, Spain advocated a global approach to ensure the integration of legal immigrants, humanitarian care to those not in a lawful position, and a co-ordinated crackdown on illegal emigration by targeting the organisations responsible. It also proposed setting up a solidarity fund to cope with the massive influx of refugees or displaced persons. The European Commission welcomed these initiatives.

The results were indeed favourable. The basic ideas of the Spanish-British proposal were accepted, such as mutual recognition of judgements and the enforcement of the judicial decisions of one EU country in another, without the need for prior harmonisation of legislation. This was the cornerstone of the creation of a common judicial area, and a deadline was set for this purpose. A set of measures should be ready by December 2000, to be supervised strictly using the methodology proposed by the commissioner responsible for justice and home affairs, Mr Vitorino of Portugal.

The European judicial area will not only apply to the prosecution of terrorism or drug trafficking, but also to civil matters. As regards criminal matters, countries which had not yet done so were urged to ratify the European extradition treaties, although the Council considered that in future the complicated extradition procedures should be replaced by the simple handover of persons wanted by justice, as Spain proposed. It was also agreed to step up police co-operation.

As for the problem of immigration, a "co-development" strategy was adopted towards the countries from which migration originates, and it was agreed to set up a mechanism to help recipient nations deal with massive influxes, as opposed to Germany's proposal to distribute its refugees among the other EU countries. Europe's position with respect to this issue is characterised by a combination of generosity and watchfulness.

At Tampere, the Fifteen rejected the proposal expressed only days previously by the European Commission to set a specific date for enlargement, although they undertook verbally to establish suitable conditions to open the door of the Union to future new members in 2003. The first round of the struggle to reinforce Mr Solana's role as "Mr CFSP" ended in consensus on limiting his powers to those already envisaged.

In short, the Tampere special meeting of the European Council was a considerable success for Spain as the promoter and joint drafter, together with the United Kingdom, of the agenda items, and also on account of the

progress it will entail in the fight against terrorism. Indeed, the European judicial area that began to take shape at Tampere is also an accomplishment of European solidarity and mutual confidence and has been achieved in a sphere that nations have hitherto jealously guarded for themselves. It is no exaggeration to say that the agreements reached at this special meeting enhance one of the most important and complicated aspects of the European project.

THE OSCE SUMMIT IN ISTANBUL

At its November summit, the OSCE approved the European Security Charter, which should help the organisation develop its role as an instrument for consolidating peace and stability in its area and for preventing and settling disputes. One of the most interesting aspects of the Charter is its express and unreserved condemnation of terrorism, which, as the head of the Spanish government said, discredits any attempt at justifying supposedly political ends. This condemnation coincided almost exactly with the IRA's agreeing to surrender its weapons. Another particularly interesting point in that it is an operational measure is the setting up of the so-called Rapid Expert Assistance and Co-operation Teams (REACT), which should be ready to enter into action as from 30 June 2000.

The fact that the summit took place around the same time as the operations in Chechnya once again made Mr Yeltsin uncomfortable, as this time he was criticised by many of his colleagues for failing to seek a political solution to an internal problem that Russia is resolving by means of indiscriminate use of force, precisely availing itself of the terrorist methods that it attributes to the Chechen opposition following the cruel attacks in Moscow. This criticism was tempered by widespread support for the territorial integrity of the great Slavic country.

Russia's reluctance did not prevent the document from finally being approved, though it did force the OSCE to lower its expectations of mediating in the Chechen conflict. In any event, the European Security Charter reinforces Moscow's commitment to common security within a framework of democratic-style obligations, thereby contributing to consolidate stability in Europe and a constructive relationship with Russia.

The new CFE Treaty, which has been adapted to the new political geography as requested by Moscow, reduces the level of troops and equipment by ten percent. It has also changed its focus, which was for-

merly geared to the existence of the two opposite blocs, by establishing limits for each country and region.

NOVEMBER MINISTERIAL MEETING OF THE WEU—THE PROCESS OF BUILDING THE EUROPEAN DEFENCE GATHERS MOMENTUM

The end of the mandate of the WEU's Portuguese secretary-general Mr Cutileiro helped put into practice the idea noted at Cologne of adding this post to the set of responsibilities assigned to the European Union High Representative for the Common Foreign and Security Policy. In mid-November, that is, before the ministerial meeting of the WEU, it was decided that Mr Solana would also act as secretary-general. Assigning these two responsibilities to the same person confirms the determined effort to create a European defence identity, since it shows the interest in strengthening the role of "Mr CFSP" and providing him with a sounder and more favourable working environment for performing his important task.

The ministerial meeting was not overly interesting in itself, though it did reveal one thing: that the die is cast for the WEU. The ministers merely assessed the audit report on the military means the European Union could currently rely on. The audit concluded that these means are relatively abundant but badly suited as a whole to the missions that are envisaged. A factor of particular concern is Europe's ability to muster forces quickly enough, as this requires considerable mobility.

The movements observed on the sidelines of the meeting were much more interesting, as they proved the considerable momentum the process was gathering on the eve of the Helsinki summit. Some of the most significant are the meeting of the EU's General Affairs Council, which took place on 15 November with the now institutionalised participation of the defence ministers. The meeting confirmed that the latter agree with the foreign affairs ministers on furnishing Europe with a defence capability, and the concept of "headline goal" was coined, referring to a European force as an army corps based on the one which has its headquarters in Strasbourg and with the related naval and air forces.

With this objective in mind, a week before the November ministerial meeting of the WEU, France and the United Kingdom agreed on a proposal to organise this European force, which should comprise between 40,000 and 60,000 soldiers and be capable of deploying within 60 days at the most. These conditions should be met by around 2003. Shortly after-

wards, days after the ministerial meeting of the WEU, London and Paris signed a military co-operation agreement designed to build this force.

The biggest doubts relate to the European HQ. Two possibilities are being considered: a "multinationalised" headquarters or an "ex novo" headquarters. The former would have the advantage of not being redundant, the disadvantages being its scant "European" profile and the excessively national slant it appears to have to the member countries. In any rate, it will probably be made up of non-permanently allocated forces. The question of the European headquarters is one of the unresolved issues that will be on the agenda of the European Union summit in Helsinki, where, in general, major progress should be observed in building the European defence identity.

A STRATEGIC YEAR FOR SPAIN IN THE FRAMEWORK OF BUILDING EUROPE

Spain's political, social and economic stability continued in 1999. The excellent health of the Spanish economy strengthened the possibility of bringing our figures for unemployment—an area in which Spain is at a disadvantage—down to European levels within a reasonable period of time. The scheme presented in May by the labour minister was welcomed in Brussels as a sign of Spain's firm will to further the progress made in jobs policy, which, to judge by the results achieved so far, is patently obvious.

In June the Spanish minister of foreign affairs disclosed that the government intends to request Spanish membership of G7. This is indicative both of our country's growth prospects and of the political will to restore our nation to a privileged place in the international arena. This intention is based on the fact that Spain currently ranks eighth among the most industrialised countries in the world, according to the World Bank figures for 1997. It is also the eighth biggest contributor to the United Nations budget. Such an ambitious initiative does not seem compatible with the fact that Spain receives European cohesion funds, since the latter indicate that, despite the level it has attained in many aspects, it has not yet achieved real convergence. This is thus a medium-term goal, to be aimed at for three or four years' time. The political opposition support this aspiration, which is one of several designed to secure Spain greater representation in multilateral financial bodies such as the IMF or World Bank. On a similar

note, during a visit to the United States at the beginning of November, the Spanish defence minister expressed the government's dissatisfaction about Spain's current level of participation in certain decision-making bodies relating to security, such as the Contact Group, and put forward some of our country's aims, such as permanent membership of the United Nations Security Council.

Madrid's reaction to Germany's aim to make German an official language at EU meetings is part of this ambitious line of defence formed to protect Spanish aspirations. This reaction stems from the conviction that Spain has a huge potential owing to its presence and leadership capability as a cultural power in a vast area, based on a common language.

In order to achieve real convergence, the Spanish government intends to make two seemingly contradictory objectives compatible, as it did when it lowered taxes and trimmed its deficit: on the one hand, reducing the public sector and increasing the private sector; and on the other, improving public services through better infrastructures and welfare protection. This will require a tighter control on spending and, for this purpose, a new budget act combining annual objectives with a multi-year programme to allow greater flexibility in budget management while facilitating the stricter control that is desired.

The goal of achieving reasonable welfare levels in line with those of the major European countries was reiterated by the president of the government throughout the year, with special emphasis on educational reform and reducing unemployment. The appointment of Mr Solana as the European Union High Representative for the Common Foreign and Security Policy enhanced Spain's presence in senior international posts. In this connection, we should not forget that another Spaniard, Loyola de Palacio, appointed as vice-president of the European Commission, will be responsible for relations between the Commission and Parliament, one of the key factors for institutional democratisation within the Union. Furthermore, when it was decided to promote the EU corps at the Cologne summit, a Spanish general was given a large share of the responsibility of doing the organising, and in November Lieutenant General Ortuño assumed command of this major unit. The general's experience in organising EUROFOR will be very useful. Also worthy of mention is the appointment of Spanish General Rodríguez Rodríguez as head of the observer mission in Kosovo. The general has a military background of similar experience in Guatemala and Angola. His basic mission will be to

advise the special representative of the UN secretary-general in that region.

Spain continued to show greater involvement in major European affairs and in many cases played a leading role. This was the case, for example, of the special Bonn summit, where it championed the defence of the principle of solidarity, fiercely defending the cohesion funds. The European Commission accepted a Spanish initiative presented at Ecofin to set up a high-level group to step up administrative co-operation in combating fraud and tax evasion. Spain also took a leading role in the holding of the EU-Latin American summit of Rio, and is responsible for the special meeting of the European Council in Tampere, as well as the suggestion that the European Commission draw up a report on employment and economic reforms (the "Prodi report") which, like the "Delors report" or the "Spaak report" before them, would provide a guideline for European efforts and a source of new initiatives. This report could be approved at the meeting of heads of state and government that will be held under the Portuguese presidency in 2000. Equally worthy of note is the achievement of two Spanish aspirations with respect to the European Security Charter: the express, unreserved condemnation of terrorism and the importance that the Charter attaches to peace and stability in the Mediterranean. Along these same lines, on 24 November President Aznar visited Mr Prodi to confirm Spain's commitment to the building of Europe and to remind him of Spain's aspirations regarding the weight Spain should carry in the European Commission.

In the Kosovo conflict, Spain took part in the air operations from the outset with several F-18s and a Hercules transport craft. Its action was continuous and in line with the most demanding missions, with excellent results. Following Serbia's surrender, four hundred men from the Mountain Brigade were transferred to the port of Durres to set up a refugee camp in the Hamullaj area for five thousand people, and several groups of Kosovars whose situation was particularly delicate were flown to Spain. Before that, the Spanish government had decided to make one of its biggest financial contributions to humanitarian action (eight billion pesetas). At all times Spain acted in perfect tune with its allies, NATO objectives and the approach to the operations, in view of the combination of circumstances. The president of the government visited Hungary, one of the new members of the Atlantic alliance and a neighbour of Serbia, precisely while the air campaign was under way.

Spain's internal cohesion regarding the Kosovo issue was noteworthy. Practically all the political groups backed the alliance's decision, aware of the situation that had arisen after all channels of dialogue were exhausted and realising the seriousness of the events. This political agreement emerged intact from the successive debates in Parliament, despite the fact that some groups are usually tempted to take a pacifist stance in such debates. There was, however, something of a disagreement between the executive and parliament as to the procedure that should be followed.

The contingent that Spain contributed to the NATO force that deployed in Kosovo (KFOR) was proportionally smaller than that of other countries of lesser military significance. The economic rigour imposed by the government to consolidate convergence was undoubtedly the main reason for limiting these numbers and for the proposed reduction of economic and military aid to Bosnia in favour of the new effort undertaken in this other region, including a contribution "in keeping with Spain's economic weight" in the community. But the role that Spain aims to secure within Europe and world-wide in the near future will not only require a continued active presence of Spaniards, including our soldiers on peace operations; this presence must also match our aspirations. In this respect, during the conferences on Spain's view of the 50 years of existence of NATO organised by the Spanish Atlantic Association, President Aznar affirmed our nation's will to assume a higher degree of responsibility in security and defence matters both in the European and the Euro-Atlantic defence sphere, in consonance with the growth period our society is experiencing. As for our dissatisfaction at Spain's absence from certain international fora, it is a well known fact that the bigger the contribution a country makes, the greater the pressure it exercises, and that the combination of generous solidarity and the demand for a bigger role has proven to be the most effective recipe for success in these cases. Besides, the beneficial effects of military presence on our overseas action are now obvious. It is hoped that Spain's interest in securing its rightful position on the international scene also translates into a stronger presence of Spanish interests in the reconstruction of the Balkans.

In June the Council of Ministers authorised Spain's contribution to the United Nations system of standby forces for peace-keeping operations, in response to an initiative of the organisation's secretary-general, with whom Spain negotiated a "Memorandum of Understanding" to establish the conditions of this contribution. For this purpose, Spain will make available an infantry brigade-type unit of 3,000 men, a squadron of transport

aircraft and personnel for the general headquarters and for observer missions.

At the beginning of November the Spanish defence minister flew to New York to sign this agreement. Spain's decision recalls a precedent: the unsuccessful initiative launched at Montevideo in 1996 to create an Ibero-American peace force that would facilitate the participation of the Latin American countries in the operations promoted by the Security Council.

Spain was in favour of the proposal to set up a European force capable of deploying in sixty days—an initiative that stems from the concept of "headline goal"—and would contribute some four thousand soldiers, that is, approximately ten percent of the contingent, to this initiative. To this amount would have to be added replacements and logistical requirements, which in practice requires a force triple the size of the aforementioned.

Throughout the year the posts envisaged for Spanish personnel at the NATO headquarters were filled. Spanish presence, thitherto limited to liaison missions and officers, was thus enhanced and put on a par with that of the other command structure countries. The main qualitative advance brought about by this change is the active participation of Spaniards in making proposals and decisions, though the opportunity it provides to our commanders to acquire valuable experience in a multinational environment should not be underrated.

On 1 September the NATO South East Command Headquarters at Retamares (Madrid) came into operation, under the command of Spanish Lieutenant General Narro, who has broad experience in international affairs. The official ceremony took place on the 30th at the provisional site. The definitive facilities will be built between 2001 and 2003, beside the current buildings. Ideally, by 2003 this command headquarters will direct a real operation or, failing that, an exercise.

Throughout the year the United States stressed its interest in obtaining Spanish authorisation to moor its aircraft carriers at Tarragona port and extend some of the facilities at Rota port, thereby showing the strategic value it attaches to the country. This insistence led the Spanish defence minister to link these authorisations to a greater recognition of Spain's international role during his visit to Washington early in November. In any event, such an agreement would have to wait until it is established who will succeed the current US president.

As expected, the number of conscientious objectors in Spain soared as a result of the forthcoming abolishment of compulsory military service. This startling increase should, however, be regarded as one of the last manifestations of the combination of lack of intellectual rigour and "weak-mindedness" that has led a considerable number of young men to take the hypocritical stance of pretending to justify decisions based on mere convenience on the grounds of conscience. In any event, the abolishment of compulsory military service amounts to recognising that the classic system of recruitment was on its last legs and that armies and their peace missions have new requirements. It has also calmed things down and been conducive to consensus about defence-related issues.

As was also to be expected, the adjustment in the overall number of professional soldiers who will make up each of the three armies has continued to be downward. This is in keeping with a permanent trend that seems to be endless and stems from an insistent pressure that does not take into account the reality of the international situation and the commitments required, and furthermore fails to recognise technical arguments or impose limits on the now theoretically obsolete "peace dividend". The possibility of the European defence identity including "convergence criteria", which would have to be applied with the necessary rigour, points to the hope that rational limits will eventually be established on a situation that affects several European countries.

As for the defence budget for 2000, for the third consecutive year the figure is slightly higher than the inflation forecast and, like that of the previous year, amounts to 4.9% of the total state budget. Practically the same applies to GDP. There are partial increases of 7.1% in investments—an important aspect to consider since there was no increase in this item in 1999—and 3.9% in personnel, in order to encourage the incorporation of a further 17,500 soldiers and marines and thus achieve a level of 80,000 professionals. Ordinary assets and services are up by just 2.5%. To these figures should be added the loan supplied by the ministry of industry to finance the three major modernisation projects: the "Leopard" tank, the "Eurofighter" combat craft and the "F-100" frigates. The policy decision on what type of combat helicopters the army should be provided with remains pending.

Europe's determination to equip itself with a defence capability in keeping with the circumstances should also be reflected in budgets. While a comparison between the European Union and the United States with

respect to defence expenditure and operational capabilities shows that there is a much bigger difference in the latter than in the former, and it is therefore necessary to co-ordinate and streamline our inventory even further, we should not ignore the need for a greater economic effort. Mr Solana pointed this out to the European Parliament on 17 November when he urged the Fifteen to increase their budgets in order to prevent the dysfunction currently observed when examining current national capabilities as a whole from serving as a pretext for maintaining the stinginess many countries show with respect to the necessary and compulsory burden sharing.

In September an important step was taken towards strengthening the joint action of the armies when the new Higher School of the Armed Forces, which is part of the Higher Centre for National Defence Studies, was opened, in strict accordance with the demanding deadlines established. In the address he gave at the school in late October, the president of the government pointed out that "the time has come for European defence", thus confirming that Spain is up to scratch in the attention and impetus Europe aims to give this issue. The premier also expressed his interest in establishing a convergence plan to provide Europe with the necessary forces, available and deployable at the speed it needs, without compromising each nation's own security schemes, and did not omit to mention the efficient and competitive industrial base that should underpin these efforts.

A final mention should be made of the first Ibero-American Colloquy held at the Higher Centre for National Defence Studies, where the intention to continue to hold these events was confirmed. The meeting, which had been postponed the previous year owing to the disaster caused by hurricane Mitch in Central America, took place at the beginning of October. It is an initiative of great significance that should provide the common Ibero-American cultural area with a military forum for an interesting exchange of ideas on military and strategic thinking, and contribute to disseminating on the other side of the Atlantic the progress achieved in Europe in such interesting aspects as the integration of armies into modern democratic societies.

CHAPTER THREE

CENTRAL AND EASTERN EUROPE

CENTRAL AND EASTERN EUROPE

By Ricardo Álvarez-Maldonado Muela

FRAMEWORK OF THE STUDY

This study, like the previous ones, covers the geographical area made up of the sovereign states of Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Romania and the former European republics of what used to be the Soviet Union.

Owing to its geopolitical weight, preferential attention will be given to Russia. This obliges us to consider its Asian component and analyse the existing tensions and conflicts on its periphery.

CENTRAL EUROPE

This section includes the so-called Visegrad countries, which make up the core of Central Europe, and—although it is largely a Balkan state—Romania.

All these states are western-style parliamentary democracies with a large number of political parties. Romania differs from the rest in that it has a markedly presidentialist regime. The per capita income of all these countries is well below the EU average.

The Visegrad group, which currently comprises Poland, the Czech Republic, Hungary and Slovakia, was given fresh impetus at the Bratislava meeting on 14 May 1999. Slovakia, which had been absent from these

meetings while Vladimir Meciar was in power as prime minister and later as acting head of state, returned under Mikulas Dzurinda, who expressed his wish to promote his country's co-operation with the other four.

The interest of all these states in joining NATO and, above all, the EU —especially that of the ruling class, whose enthusiasm contrasts with popular indifference in the case of the former organisation—has led them all to consolidate their democratic institutions, establish free-market economic systems and settle their differences, which mainly relate to population minorities beyond their borders, using fair and peaceful means. This is the case of the Hungarian minorities in Slovakia, Romania and Serbia.

The advent of Poland, the Czech Republic and Hungary into NATO, according to a statement made by the latter, was merely a first step on the road to future accessions.

Poland is governed by a right-wing coalition that goes by the name of "Solidarity Electoral Action", which is tempered by a centrist component. However, former members of the Polish Communist Party continue to be entrenched in senior government posts, where they hinder the executive's reformist projects. In macroeconomic terms, the Polish economy recorded a very satisfactory growth in 1999.

The Czech Republic, which came top of the class in the transition from communism, has turned out to be less efficient in the economic field than its Hungarian and Polish neighbours, which currently offer greater confidence for foreign investors. The discovery of a fake miracle and simulated privatisations of what continue to be state-owned companies with the mediation of certain banks, the diversion of funds and fraudulent bankruptcies have had very negative repercussions on the credit the Czechs deserve. The latest parliamentary elections were won by the Social Democrats, though they did not secure the majority they needed to govern alone.

In Hungary, the Socialist Party (ex-Communist) was beaten by a centre-right coalition in the latest parliamentary elections.

Hungary's accession to NATO coincided with the Kosovo conflict, making Hungary the only member of the Atlantic alliance to share a border with Serbia, which has a large Hungarian minority. Fortunately, the attitude of the Hungarians of Voivodina has always differed from that of the ethnic Albanian Kosovars, who opted for confrontation as opposed to the Hungarians' co-operation with Serbia.

Hungary is confident that the policy of forced assimilation that Slovakia has pursued with respect to the Hungarian minority dwelling there will ease under the new government.

For the time being, Brussels' pressure has resulted in the enactment of a law to protect minority languages.

Hungary's negotiations with the EU are following their course. Most of its industry is easily adaptable to the western system. However, its agricultural sector is the biggest impediment to EU accession.

In Slovakia, Mr Meciar was defeated by current President Rudolf Schuster in the presidential elections in July 1999. Mr Meciar's disappearance from the scene brings hopes of true democratisation. The outlook for economic growth for 2000 is optimistic. Slovakia ranks above Poland and Hungary both in the human development index and in terms of per capita income in purchasing power parity. Mr Meciar prevented Slovakia from being included among the first round of EU candidates.

Slovenia, after secheding from the former Yugoslavia is the richest and most prosperous of all these nations. However, there is friction with its neighbour Croatia. It is considered to be prepared for membership both of the EU and of NATO. Its accession to the latter was impaired by France's aim to pair it with Romania in the list of nations proposed.

Of all these countries, Romania is currently experiencing the greatest social and economic difficulties. Continuing with its plan of privatisations places it in a predicament, owing to the social cost this entails. The drastic stabilisation plan (partly imposed by the IMF) has plunged the country into a deep recession. At one point inflation soared to as much as 155%, although over the year it fell to 50%.

Romania made up to NATO during the Kosovo conflict by suspending its fuel supplies to Serbia.

The strikes and riots staged by the miners' trade unions in January 1999 forced the government to yield to part of their demands. The agreement that was reached guaranteed that mineworkings which kept to under 30% of the recently recorded losses would be maintained.

The miners' march on Budapest prevented the unproductive Jiu valley coalmines in the heart of the Carpathian Mountains from being shut down. A hundred or so people were injured in the clashes between police and strikers.

The August 1998 crisis in Russia has not hampered the economic growth of Central Europe, which does much of its trade with the EU, particularly the Federal Republic of Germany. Without taking into account the possible effects of the Kosovo crisis, the average GDP growth for these countries as a whole in 1999 is in the region of 4%. Romania may possibly be the worst affected by the conflict.

The overall picture of the political and economic situation in Central Europe in 1999 shows an appreciable improvement on last year, except for in Romania.

THE BALTIC STATES

The substantial growth of the Estonian, Latvian and Lithuanian economies in 1997, which was more moderate in 1998 and 1999, nonetheless makes these three countries stand out among the former Soviet republics. However, their per capita incomes are lower than those of the Visegrad group.

A total break from Russia and full integration into Western Europe—in the form of membership of its two most representative institutions, the EU and NATO—would fulfil their most fervent wishes. But, as we will see in greater detail later on, the eastward enlargement of both NATO and the EU has its pitfalls.

Since regaining their independence, the three Baltic states have made considerable headway both in strengthening their democratic institutions and in their economic reforms. They have reoriented their foreign markets towards the west so that their economies—except for that of Lithuania, to an extent—were not affected by the Russian crisis of August 1998. Lithuania also lags furthest behind as regards privatisations of public companies and legal reforms.

The main internal problem in Latvia and Estonia is the ethnic Russian-speaking minorities who live inside the borders of these two countries, whose indigenous populations fear that Moscow could use them as a fifth column capable of undermining the states' recently gained independence. It should be borne in mind that in Latvia only 57% of the population are of Latvian origin and only 64% of the inhabitants of Estonia are ethnic Estonians.

Lithuania, which has a smaller foreign minority (8.4% of Russians and 7% of Poles), automatically granted all them Lithuanian citizenship, unlike

the other two Baltic republics which established a complicated process for obtaining citizenship. Indeed, the procedure is so complex that, if it is strictly applied, many residents of Estonia and Lithuania would never obtain it. These discriminatory laws and the legislation restricting the use of the Russian language have sparked angry protests from Russia, which even imposed sanctions on imports of these countries' products in 1998. The western countries reject this exclusive policy.

The referendum held in Latvia in October 1999 raised the hopes of the Russian minority, despite the scant majority of voters in favour of their integration. However, the 8 July 1999 act passed by the Latvian parliament restricts the use of the Russian language and makes life complicated for the Russian-speaking minority, even though this policy hinders Latvia's chances of accession to the EU or NATO.

The aforementioned law threatens to rekindle tension in Latvia and complicate relations with Russia. By passing it, the members of the Latvian parliament made a poisoned gift to Vaira Vike-Freiberga, the new president of the republic, who had just been sworn in.

As occurs in so many other countries, the Latvians' exclusive nationalist sentiments are so inflammable that they engulf any glimmer of pragmatism.

The crisis between Russia and Latvia worsened with the demonstrations staged by Russophobes and the boasting of the veterans of the Latvian Legion that fought on the side of Germany in the second world war.

Estonia responded to pressure from the West by easing its laws on the requirements for obtaining Estonian citizenship and was rewarded—irrespective of its booming economy—by being invited to begin negotiations with the EU with a view to accession. However, not all the Russians residing in the country have been able to obtain citizenship, nor is it permitted to use Russian in government departments. The ethnic Estonian majority has always rejected a compromise model like the one in Belgium.

Lithuania has settled its border quarrels with Russia. Estonia and Latvia have made concessions to Russia in this dispute, though the Duma, prior to the electoral campaign, did not ratify the agreements, which it considered insufficient.

In May 1999 the Council of Baltic States, to which all the coastal states belong, including Russia and Norway, met at Vilnius. This forum could

serve to iron out the three former Soviet republics' differences with Russia.

The three states have developed a number of formulas for mutual co-operation, mainly the Baltic Assembly and the Council of Baltic Ministers. So far the practical results have been few and far between, as they have not even managed to establish a customs union. Where they have made progress is in the field of military co-operation, setting up the Baltic peace-keeping battalion that was initially integrated into IFOR and subsequently became part of SFOR in Bosnia.

Apart from the EU's own internal problems, these states' accession to the EU is hampered by the strictness of the so-called Copenhagen criteria, which aspirants are required to fulfil. Russia does not object to any of these countries' joining the EU.

Although they have the sympathies of the members of the Atlantic alliance, they are unlikely to join NATO in the medium term, for reasons that will be explained later on.

NATO'S EASTWARD ENLARGEMENT

In March 1999 Poland, Hungary and the Czech Republic became NATO members, having met the accession requirements. The official ceremony took place with great solemnity in Independence (Missouri) on the 12th of the month.

The alliance's "New Strategic Concept" was approved at the Washington summit held on 23 and 24 April.

Both events practically coincided with the 50th anniversary of the signing of the North Atlantic Treaty in April 1949.

According to the "New Strategic Concept", NATO's chief mission currently lies in "enhancing the security of the Euro-Atlantic area". It wisely does not establish the limits.

The communiqué issued after the summit does not beat about the bush when it comes to the aim of enlarging NATO. "The three new members will not be the last", states the text.

NATO recognises the efforts and progress made by would-be members: Romania and Slovakia; Estonia, Latvia and Lithuania; Bulgaria and

Slovakia. The nations are quoted in this order. The communiqué also specifies that no country will be excluded, whatever its geographical location.

The progress referred to relates to the promotion of political, economic and military reforms in each of the states, in keeping with NATO criteria. It is highly important that new members do not bring the alliance unresolved problems with their neighbours. The Organisation has enough on its plate as it is with Greek-Turkish relations.

The question now focuses on whether the enlargement process should continue in the first few years of the new century or whether it is advisable to stop, at least until the integration of the three recent Central European newcomers has been consolidated.

NATO acknowledges that certain candidates pose more difficulties and risks than others, and the next step is therefore to decide what would-be applicants should be included in the lead group of future members.

It is obvious that taking in the historically and stubbornly neutral European states—Ireland, Austria, Sweden and Finland—which meet all the criteria that can be required of a candidate, would not pose any problems. But so far they have never asked to join. Indeed, even the Finnish president, who acted as mediator in settling the Kosovo conflict, spoke openly of the "advantages that Finnish neutrality affords the International Community".

Slovenia is potentially an easy candidate owing both to the internal political stability of this small country and to its distance from the Russian borders. However, if France were to persist in pairing it with Romania, this would hinder its accession. Romania is regarded as a tricky case as this vast country, which lies on the easternmost boundaries of Central Europe, has an unstable political system and a fragile economy.

For the time being, Slovakia and Bulgaria have fewer prospects of joining in the medium term for similar reasons. Their prospects with respect to political stability have recently improved following Mr Meciar's exit from the scene and are much more dubious as regards their economic situation.

Some analysts consider that allowing former Soviet republics to join NATO overstretches the limits of rationality. They maintain that it is sufficient for them to belong to the "Partnership for Peace" (PfP) programme and the North Atlantic Partnership Council (NAPC).

It is blatantly obvious that the three Baltic states will not settle for this. They fervently desire to belong to NATO, though neither Latvia nor Estonia is very likely to achieve this unless they settle the problems of their respective Russian minorities.

Despite the signing of the "Partnership Charter" with the US, in which President Clinton guaranteed these three republics' hopes of joining, and their inclusion on the aforementioned list of candidates, there is a certain amount of scepticism about the advisability of allowing them to join. Pragmatically speaking, it is argued that defending them would pose an awkward problem, even vis-à-vis a weak Russia, while the latter would interpret this as a wedge hammered into its northwestern defence system and even greater isolation of the Kalingrad enclave. The added value that these three republics afford the alliance would have to be weighed up against the potential risk their accession entails.

For some, it is unacceptable to leave these countries out since, democratically, they are entitled to join if they wish to and meet the required conditions. For others, it is legitimate and wise to ponder over the advantages and disadvantages of such a decision for the global security of Europe and the future of Russian-NATO relations.

Both points of view will undoubtedly be debated in depth and heatedly when the question arises of which countries should be included in the first round.

The "New Strategic Concept" refers expressly to Russia, with which NATO is willing to collaborate through the Permanent Joint Council set up by the Founding Act establishing relations between Russia and NATO. The organisation also attaches great importance to its bilateral partnership with Ukraine, backing the latter's independence, democratisation and economic development, as well as its condition of "non-nuclear state".

But Russian perceptions of the threat posed by NATO (which Russians regard as a mere instrument of the US) and mistrust about its "good intentions" have heightened after the military intervention in the Kosovo conflict. Neither has announcement of the "New Strategic Concept" helped reassure Russia, owing to its ambiguity regarding the scope of the role the alliance reserves for itself.

In addition to the Russian leaders' dramatic and harsh criticism of NATO, misgivings about the organisation are very widespread in the Rus-

sian Federation and are spreading to some of the CIS countries, mainly the Slavic ones.

Those who advocate caution in enlargement—as opposed to the advocates of the inalienability of the right to join—put forward the substantial argument of the hypothetical risk of political regression in Russia, with the establishment of a system hostile to the West. According to them, such a risk is not worth running.

A matter that continues to cause concern is that NATO does not arouse the popular interest that it should in some member states and that enlargement does not muster much enthusiasm.

NATO reckons that integrating the three new members will cost approximately $1.5bn over a ten-year period, of which the US will contribute some 400m.

The US currently contributes nearly 25% of NATO's total expenses and its military might (nuclear arsenal, constellations of all types of satellites, sea and air power and strategic transportation capability) accounts for a much larger proportion. Hence it inevitably runs the show.

ENLARGEMENT OF THE EUROPEAN UNION

On 1 January 1999 Monetary Union came into force. The United Kingdom, Denmark and Sweden chose not to adopt the euro, while Greece did not meet the convergence criteria for joining the club.

The Amsterdam Treaty, which was ratified by Spain on 23 December 1998, came into force on 1 May 1999.

In 1999, apart from Cyprus and Malta, ten countries have expressed their interest in joining: all of them Central and Eastern European states, except Bulgaria.

If these ten countries were to join, the total area of the EU would increase by 34%, its population by 29% and its overall GDP by 9%, while the community's per capita income would fall by 16%. The average income of the ten new members would amount to no more than 32% of the current average EU income. The per capita income of four least developed countries—Ireland, Spain, Portugal and Greece—currently stands at 75% of the average; 78.5% in the case of Spain.

So far only six countries have been invited to establish accession negotiations: Poland, Hungary, the Czech Republic, Cyprus, Estonia and Slovenia. These negotiations began on 31 March 1998.

On 13 October 1999 the president of the European Commission, Romano Prodi, proposed to the Fifteen that accession negotiations should formally be opened with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia.

Agenda 2000, which was approved by the Berlin European Council on 26 March 1999, establishes the economic and financial framework for the seven-year period from 2000 to 2006. It allows for the accession of the first six candidates, which are assumed to become members in 2002 at the soonest. A new schedule will have to be approved for 2007 and thereafter.

According to the Amsterdam Treaty that is currently in force, institutional reform is a prior requisite for any future enlargement. In this connection, the Cologne European Council in June reaffirmed its intention to call a conference for this purpose early in 2000. The main issues to be tackled are: the number of commissioners to which each member State is entitled; weighting of Council votes in proportion to each country's population; and extending the system of qualified majority voting to matters that currently require unanimity.

On 13 July 1999 elections to the European Parliament were held in 11 countries. They had taken place in the United Kingdom, the Netherlands, Denmark and Ireland during the previous days. In some countries the level of abstentions was very high. The new president of the European Commission, Romano Prodi, regretted that all the political leaders focused their electoral campaigns on home affairs and failed to address significant issues for the future of the EU such as enlargement, institutional reform, funding and the common foreign and security policy. Opinions based on misinformation signify a major democratic deficit in the significant challenges Europe must face in the coming years.

EU enlargement obviously affects the structural and cohesion funds that certain countries, including Spain, currently receive. Spain is assured of receiving these funds up to 2006, but thereafter everything will depend on what is allocated to the poorest countries at the expense of the richer ones and on whether the current limit of 1.27% of the Community's GDP is maintained.

To the list of expenditures will have to be added those deriving from the reconstruction of the Balkans following the material and economic losses caused by the Kosovo conflict.

Since the aforementioned institutional reforms affect the influence and relative power of the states within the EU, the negotiations look like being heated, given the clashing positions of the different members.

For the above reasons, the pre-established date for the six countries in the lead group, 2002, is regarded as premature. Furthermore, one of those countries is Cyprus, which, despite having got its economy into shape, would bring the EU the latent problem of reunification of the island, an issue that not all current members seem willing to address.

The feeling of unease caused by the perception of an increasingly heterogeneous Union that enlargement entails has given rise to some currents of opinion that call for postponing accessions and making a concerted effort to integrate and homogenise the Europe of the Fifteen, four of whose members have not yet joined monetary union.

The basic problem of enlargement is that the richer countries do not want to pay out any more and the less wealthy countries want to continue to receive the same benefits. The southern countries argue that taking funds away from them to give to the East would not solve anything: the existing members should first complete their development and then a joint effort could be made to help the new ones.

To overcome this position, the political class needs to redouble its efforts to make public opinion realise that a united and enlarged Europe comprising all those who regard themselves as Europeans is an exciting geopolitical prospect that would enable it to have a greater say in the world order and that, in order to achieve this encouraging goal, it is worth sacrificing a certain degree of economic well-being.

There is no avoiding the colourless role played by the EU in the Kosovo crisis—a fact which shows the lack of a common foreign policy addressing conflicts arising in Europe itself. This is mainly due to the fact that the EU does not have the necessary military capability to back such a policy.

The Amsterdam Treaty institutionalised the figure of "Monsieur PESC" or "Mr CFSP". The appointment went to former NATO secretary-general Javier Solana, who took up his post on 18 October 1999. His powers are

still being discussed. A month later, Mr Solana was also appointed secretary-general of the WEU, which is to be integrated into the EU as agreed at the Cologne Summit. The WEU has carried out an audit of the military resources it could eventually place at the EU's disposal.

The future of the WEU depends on the defence commitments the EU decides to take on and on what the "ten" fully-fledged members of the WEU decide regarding the validity or denunciation of the Amended Brussels Treaty, which is more binding than the NATO Treaty.

THE COMMONWEALTH OF INDEPENDENT STATES (CIS)

After eight years of existence the question arises of whether the CIS is enjoying a new lease of life or whether it is flagging. Despite the many high-level conference that have been held since it was founded, the results have not been very satisfactory, at least for Russia. In general, the dozens of agreements that have been signed have not been wholly applied.

It cannot be denied that following the traumatic break-up of the Soviet Union, the CIS has provided a certain degree of stability and has at least enabled all these countries to divorce from the Russian Federation in a "civilised" manner.

The lack of any heightened ethnic nationalist feelings in Russia like the ones that still live on in the Balkans has perhaps contributed to this modus vivendi. We should bear in mind that nowadays, although many Russians have returned to their homeland, there are some 22 million scattered all over the CIS. Russians account for almost 40% of the population in Kazakhstan, 25% in Kirgizstan and 20% in Ukraine. The pragmatic approach taken by both Russian and local political leaders and the tendency of the Russian minorities living in the "near abroad" to coexist rather than provoke clashes, have prevented the occurrence of such regrettable episodes as Croatia, Bosnia and Kosovo. It is also worth considering that although Russians' access to government and public posts has been restricted in the new states, the civic rights of these minorities have not been curbed as in Latvia and Estonia.

Nonetheless, there appears to be a certain shift away from Russia, owing mainly, in the non-Slavic states, to the enactment and enforcement of different political and economic laws. This is also observed in the consolidation of the local political classes, who are anxious not to lose the

slightest bit of their recently-acquired sovereignty; in the particular structure and ethnic basis of each state; and in the different degrees of economic development.

Furthermore, Russia has not been able to counteract suitably the outside interests in establishing geopolitical pluralism within the CIS.

The CIS states have recently signed bilateral and multilateral treaties and have formed coalitions in order to mitigate Russian influence. In this connection, the establishment of the GUAM—an acronym formed from the initials of Georgia, Ukraine, Azerbaijan and Moldova—is a significant development. This initiative is aimed at diversifying energy sources and laying a corridor of road and rail links across the Caucasus to Central Asia, bypassing Russia.

Two agreements of far-reaching importance for the CIS were the 1992 Tashkent Collective Security treaty and the 1995 agreement on the defence of Minsk's borders.

Some of the CIS states currently object to the presence of Russian Border Guard at their external borders. Russia has undertaken to withdraw from the Turkish-Georgian border this year. Russia's presence continues to be of paramount importance at the border between Tajikistan and Afghanistan owing to drug and arms traffic.

The conflicts in the south of the Caucasus have yet to be settled: the dispute between Abkhazia and South Ossetia in Georgia and the issue of Nagorno-Karabakh in Azerbaijan. The negotiations held between the Armenian and Azerbaijani governments to settle them seem precisely to have triggered the storming of the Armenian parliament and the murder of eight people, including the prime minister. Russian aid to Armenia was the reason for Azerbaijan's pulling out of the aforementioned Collective Security Pact and for its flirtation with NATO, which did not respond to its request to allow NATO bases on Azerbaijani territory.

In Central Asia, Uzbekistan also threatened to denounce the agreement after the Russian and Tajik governments signed a bilateral treaty allowing new Russian military bases to be established in Tajikistan. The peace process under way in this country characterised by unrest has not yet yielded the hoped-for results. Uzbekistan is one of the Central Asian countries where US influence is most noticeable.

Russia currently has military forces and bases in Georgia, Moldova, Ukraine and Tajikistan. In Kazakhstan Russia continues to use the Baykonyr cosmodrome. Under the latest "amendment" to the CFE treaty signed in Istanbul in November 1999, Russia will close two bases in Georgia and withdraw military surpluses from Moldova.

In April 1999 the Ukrainian parliament ratified all the outstanding agreements signed with Russia in 1997. Russia has broken away from a past that refused to accept Ukraine as a nation. The accommodating attitude of Ukraine's stubborn parliament towards the military agreements on the distribution of the Soviet Black Sea Fleet and the Russian naval bases in the Crimea is taken to be a psychological reaction to the NATO intervention in Serbia, which it regards as an aggression.

After signing the "Charter of the Union" in December 1998, the Russian and Belarussian presidents Boris Yeltsin and Alexander Lukashenka signed another treaty which envisages the reunification of the two countries into a future state, though it is not specified when.

With the exception of Belarus, whose per capita income and human development level are slightly higher than those of the Russian Federation, the indicators for the CIS countries are considerably worse. Their economies are heavily dependent on the Federation, particularly with respect to the supply and distribution of oil and natural gas.

Owing to this dependence, the Russian economic crisis of August 1998 has had more devastating effects in the rest of the CIS countries than in Russia itself.

Following the crisis, the moderation and caution shown by foreign investors with regard to the CIS countries has given way to a definite wait-and-see attitude.

The devaluation of the rouble triggered an inflationist process in all the countries, causing their respective currencies to plummet. The Ukrainian currency, for example, depreciated 50% in 1998.

That year Russian purchases within the CIS fell by 15% and this figure is expected to be much bigger in 1999. CIS members' exports to Russia were also badly affected, since most Russian importers lacked the cash to pay them. Russia continues to be the main client of all the CIS countries.

Before the crisis, Russian trade with Ukraine, Kazakhstan and other CIS countries had slackened owing to delays in payment. Many of these

transactions are conducted in kind, particularly Russian gas supplies to Ukraine and Belarus. Negotiating and renegotiating how much of the outstanding gas bill is going to be paid and how has become an annual ritual.

In September 1998 Russia agreed to take $1bn worth of Ukrainian products, particularly food, as part payment of Ukraine's debts in respect of Russian supplies of natural gas. Belarus also made a similar arrangement, paying Russia $200m worth of foodstuffs for the Russian army.

Even Kirgizstan, which is regarded as one of the most economically buoyant CIS countries (the only one invited to joint the World Trade Organization), owed Russia $150m at the end of 1998 and required a loan from Moscow to pay for its gas supplies from Uzbekistan.

In October 1998 Boris Yeltsin travelled to Kazakhstan to sign a ten-year economic co-operation treaty with the Kazak president, Nursultan Nazarbaiev, one of the staunchest supporters of economic integration of all the CIS countries. Mr Nazarbaiev again won the presidential election in January 1999.

There is a customs union to which Russia, Belarus, Kazakhstan and Kirgizstan belong, recently joined by Tajikistan. Despite the agreement they have signed, there are still barriers to free trade in goods between these countries. Kazakhstan has been forced to establish temporary checks at its border with Russia to control the flow of depreciated goods that were flooding the country.

The fall in the remittances of roubles sent by the hundreds of thousands of Georgian, Armenian and Azerbaijani immigrants who had been working in Russia came as a further blow to the precarious economies of the southern Caucasian countries. After the recent crisis, many were forced to return to their countries of origin.

Those who regarded oil from the Caspian Sea as a magic solution to their economic problems feel somewhat let down. Ambitious plans to lay thousands of kilometres of oil pipeline—some of which are high risk as they cross conflict zones—have had to be put on ice for the time being.

The US energy department's estimates of the size of the oil and natural gas reserves in the Caspian are very substantial. Furthermore, Caspian fuels are expensive owing to the difficulty of transporting and installing extraction equipment in the area, the cost of laying the pipelines and the cost of the transit duties to be paid to the countries it crosses. Since the

Gulf war, the price of oil has fluctuated between $9 and $26 per barrel. Only the top end of this range (as in December 1999) can compete with oil from the Middle East. But apart from the interest in diversifying sources of supply, there are political reasons designed to undermine Russia's exclusive influence in this region, and expensive investments can be regarded as politically cost effective. In this connection, the end of Russia's monopoly on traffic from the Caspian to the Black Sea came on 17 April 1999 when the new western-funded oil pipeline that runs from Baku to the Georgian Black Sea terminal of Supsa was declared open.

Russia aims to respond by laying a 400km underwater pipeline across the Black Sea between Russia and Turkey. Turkey, Russia's Gazprom and the Italian company ENI will take part in this project.

Russia's determination to cling on to its monopoly on the transport and supply of oil and gas became unmistakably apparent when it cut off the supply of natural gas from Turkmenistan to Ukraine via the Russian gas pipeline network. Turkmenistan has large oil and gas reserves, though the country's isolation makes it difficult to transport them to other countries.

An agreement was reached at the OSCE summit in Istanbul in November 1999 to draw up plans for laying an oil pipeline between Baku and Ceyhan in Turkey and a gas pipeline across the Caspian to steer Turkmenistan's gas towards Turkey. The US would contribute to the cost.

In February 1999 Russia's CIS representative, Ivan Rybkin, said that "the recent economic crisis has shown that we must remain united in order to survive". Indeed, all these countries' economic dependence on Russia is a much more consistent cohesion factor than Moscow's political efforts to maintain Russia's supremacy over its "near abroad". The creation of an economic community is perhaps an unavoidable first step for achieving a certain degree of political union in the future.

Ukraine

Ukraine's relations with Russia have improved substantially this year. This rapprochement is partly due to the NATO intervention in Serbia. However, despite describing it as an aggression, Ukraine, unlike Russia, did not break off relations with the Atlantic alliance.

The west of Ukraine is nationalist and pro-west, whereas the south and east, which have a large Russophile minority, are in favour of deeper integration into the CIS. This political dichotomy forces the country's lead-

ers to strike a balance between the two stances to prevent the nation from splitting in half.

This adoption of this balancing-act policy also stems from the handiness of receiving economic aid from both Russia and the West. In the case of the latter, there is the snag that Ukraine is not keen to assume the social costs of carrying out the measures required by the IMF, and the fact that the country is classified by financial institutions as a "stagnating market". Despite this warning, it has continued to receive a certain amount of aid from the US.

In this connection, in order to close down the antiquated and infamous nuclear power station of Chernobyl, Ukraine's President Leonid Kuchman turned to G7 for help, which has undertaken to finance two new reactors and foot the bill of a new nuclear waste unit.

Ukraine is a crisis-stricken country that has not quite made up its mind between liberal capitalism and neo-communism. The parliamentary majority is pro-Communist and a good part of its impoverished population yearns for the Soviet era. The wage arrears of several months, the 20% unemployment rate among the working population, the deterioration of social services, punctilious bureaucracy, financial scandals, corrupt civil servants, the situation in prisons and the control over the power of the media form a backlog of problems that the new state has yet to solve. The privatisation bill, which has been amended over and over again, always comes up against opposition from the left, a number of nationalists and the many who enjoy certain privileges and are wary of competition. However, the situation has improved somewhat lately. The civilian population has shown its ingeniousness by resorting to "barter", and it seems that the black market now accounts for nearly 50% of GDP, which indicates how out of hand things have got.

In the second round of the presidential election in November 1999, President Kuchman beat the Communist candidate, securing 56% of the vote. The vote of the west Ukrainian population largely contributed to this success.

Belarus

As mentioned earlier, Belarus is the CIS country with the healthiest economy and the most in favour of forming a union with Russia.

President Lukashenka's way of doing politics has enabled delinquency to be kept at bay, an acceptable level of public health to be maintained, the necessary taxes to be raised and wages to be paid on time.

Mr Lukashenka, a very authoritarian statesman, controls public life and has a say in almost all appointments. The repressive measures he uses to keep the opposition in check clash with human rights.

Poland, by bolting the doors of its eastern border as a ploy to facilitate its hoped-for EU accession, has pushed Belarus even closer to the CIS, which accounts for over 70% of Belarussian exports.

Moldova

Moldova is the poorest country in Europe. After suffering the effects of the crisis that hit Russia in summer 1998—which caused its GDP to plummet by 50%—there is a faint glimmer of recovery at the end of 1999. The long-suffering Moldovan population scrapes by with meagre salaries that are generally late in being paid.

Moldova is a markedly presidentialist country where 40% of the parliamentary seats are held by the Communist minority. The constant clashes between President Petru Lucinschi and the Parliament have been overcome by forming a coalition of all the non-communist parties, which is enabling the country to be governed.

The conflict in the secessionist region of Transdniester is dragging on despite the memorandum of understanding signed under the aegis of OSCE, Russia and Ukraine to guarantee the territorial integrity of Moldova according to the borders established in 1990.

Moldova has broadened and strengthened its relations with Russia, while remaining on good terms with Ukraine and Romania.

THE RUSSIAN FEDERATION

Components and relationships

The Russian Federation is a mosaic of 89 autonomous entities (republics, territories, regions and districts) which, despite their huge differences in size, population and development level, each have two representatives in the upper house of parliament—the Council of the Federation. The Council is made up of 178 members who are the governors or presidents of these autonomous entities and the presidents of the regional assemblies. The Council of the Federation has generally been more inclined than

the Duma to approve the proposals of Mr Yeltsin and the central government, though it has recently shown signs of increasing opposition.

Relations between central government and the federal entities vary enormously depending on the different status of the latter. Those that were created for ethnic reasons have been granted wider powers and generally have "republic" status. Chechnya and, to an extent, Tatarstan, are extreme cases. Chechnya was a de facto independent republic that the international community failed to acknowledge as a sovereign state and it is now pending a political settlement of the serious conflict with Russia, which re-erupted in 1999.

The richer federal entities are tending to demand more powers from central government, such as the power to manage most of their own resources. This is having an adverse effect on those that depend on Moscow for theirs, particularly during the current economic crisis which the most prominent regional leaders have attempted to take advantage of to get more power, threatening violent nationalism or even secession.

Following the liberalisation of prices and the privatisation of state assets, the regions where the main heavy industries were located have been worse hit by the crisis. And as a result of the fall of the rouble, the drop in the standard of living has been more marked in regions that import food, medicines and other products.

To make matters worse, a prolonged drought in East Siberia and the island of Sakhalin made the 1998 grain harvest the worst since 1953, leading to food shortages in these depressed regions.

To prevent such shortages, some governors such as Alexander Lebed (Krasnoyarsk) and Aman Teleyev (Kemerovo) restricted exports of products from their respective regions to other needier parts of the country, even though federal law prohibits such measures.

The enactment of unconstitutional laws is common practice, so much so that the "Concept of National Security" states that "the tendency of the parties that constitute the Russian Federation to dictate laws and take decisions that are not their responsibility within the framework of the Constitution is a risk factor that undermines the country's unified legal basis".

Conflicts between the central and regional governments stem from the latter's improper application of the federal budgetary allocations,

which they often use for different services that those stipulated by central government. To put an end to such irregularities, Mr Kiriyenko's government made bilateral arrangements with the regional governments whereby these undertook to abide strictly by the federal budgetary and tax rules in order to receive allocations from the federal treasury.

Although the economic crisis has revealed cracks in the Russian federal structure, Moscow's role in raising, administering and distributing resources leads financial experts to consider that if things remain this way, the Russian Federation will not come under any threat on this account.

The most conflictive areas of the Federation are currently East Siberia and, of course, the northern Caucasus.

The population of East Siberia is continuing to decrease. This process is not being duly counteracted with a state policy to draw capital and human resources to the region. The area in question constitutes Russia's geopolitical reserve, but if the current trend continues, instead of being one of the pillars that underpin the Federation, it can degenerate into a weakening factor.

In January 1999 nineteen regional governors met at Kemerovo (Siberia). At the meeting Mr Primakov, then prime minister, warned them of the danger of their separatist airs, reaffirming his firm intention to preserve Russia's territorial unity above all, despite the problems of powers created by the economic crisis. "We lost the Soviet Union, but we will not consent to losing Russia", said Mr Primakov.

Also in January, Chechnya's moderate president, Aslan Maskhadov, publicly expressed his intention to establish an Islamic state. The *Shari'ah* was already in force in Chechnya. Religion is a weapon of which the radical Islamists have always availed themselves to undermine the power of Mr Maskharov, who has to contend with ringleaders of clans that control whole regions of the country and do not yield to his authority.

Islamic extremism has gradually spread to the neighbouring Muslim republics of Dagestan and Ingushetia. The latter has very tense relations with nearby North Ossetia, whose population is mainly orthodox Christian, following the fundamentalist attacks in its territory.

All these republics of the Russian Federation in the northern part of the Caucasus show signs of secessionist feelings fomented by Islam,

which mask the utopian aim of the radical Chechens to bring all these peoples under their sway.

In August and September 1999 five terrorist attacks killed 293 people in Russia when their apartment blocks were destroyed by bomb blasts. Three of these attacks took place in Moscow. According to the Russian secret service, they were committed by extremist Chechen Islamists on the orders of warlord Shamil Basayev.

Practically around the same time as the attacks, Islamic Chechen guerrillas stormed past the border into Dagestan for the second time, with over two thousand armed men led by Basayev and Jordanian fundamentalist Khattab.

The Russian security forces took tight police measures against terrorism, and the Russian armed forces were used to crush the Chechen insurgents' foray into Dagestan. They bombarded the positions seized by the Chechen rebels with aircraft and artillery fire, forcing them to return to Chechnya, where air strikes were also launched, starting on 5 September.

In a special meeting on the 17th of that month, the Council of the Russian Federation approved and backed the strong-arm anti-terrorist and military measures taken by Mr Putin's government, even the bombings in Chechnya.

The tactic of selective bombings (which the Chechens described as indiscriminate) of rebel bases and fixed targets seemed similar to that of NATO in Serbia. But the situation in Serbia was different in that Aslan Maskhadov's government, overwhelmed by the situation, had neither the authority nor the power to meet the conditions required—handing over the guerrilla leaders regarded as aggressors in order for the bombing raids to stop.

On 1 October 1999 the Russian army penetrated Chechnya, occupying a strip of land north of the Terek River. Their aim seemed to be to establish a "Lebanese-style" security zone to prevent Chechen Islamic guerrilla fighters from making forays into other neighbouring Muslim countries of the Russian Federation, though subsequent events revealed that it was much more ambitious. The Russian army did not stop at the Terek River but advanced towards the outskirts of Grozny, the Chechen capital, laying siege to it.

On 4 October 1999 Mr Maskhadov declared war on Russia, making common cause with the Islamic guerrillas. The situation thus returned to that of 1996, before the armistice and the agreement were signed.

The conditions Russia presented to the Grozny government not only include the eradication of terrorism and handing over those responsible, but also respect for the constitution of the Russian Federation and its territorial integrity.

This conflict could not come at a worse time, bearing in mind Russia's economic difficulties and its dependence on foreign loans, mainly from the IMF.

The West faces a dilemma: on the one hand, it recognises the need to curb Islamic extremism and to ensure that relations with Russia do not deteriorate any further, and, on the other, it rejects the methods used by the Russian armed forces and their tragic consequences on the thousands of people who have fled Chechnya, seeking refuge mainly in Ingushetia.

At the OSCE summit held in Istanbul on 18-19 November the fact that Russia was not condemned for taking such repressive measures in Chechnya enabled the European Security Charter to be approved. Russia agreed to allow the president of OSCE to visit the region in question, but refused to let the organisation act as mediator between Moscow and the secessionists in what it regarded as an internal matter.

The president of the Spanish government was pleased that the European Security Charter condemned terrorism, gave his unreserved support to the territorial integrity of the Russian Federation and called for a political solution to the conflict.

Mr Putin's iron-fisted policy in the Chechen conflict so far has secured popular support and makes him a strong candidate for eventually replacing Mr Yeltsin. It is paradoxical that the popularity of the candidate designated as the successor of an extremely unpopular president should be growing. Seldom does the Russian government identify so closely with the country's citizens of all political leanings. The question arises of whether this support would continue if the struggle were to draw in the southern mountains.

Despite the host of differences in the relations between the Russian Federation's central government and the regional entities that comprise it, it is significant to note the unanimity of the Council of the Federation in the

meeting to approve the central government's measures to combat Islamic terrorists and Chechen secessionists. No less significant is the result of the voting three months earlier to approve the posting of 3,600 Russian soldiers to Kosovo, despite the burden of this expense on Russia's scant budget. Of a total of 176 councillors, 157 voted in favour and none against.

Economic and social situation

Since the break-up of the Soviet Union, it is reckoned that the Russian economy has shrunk to about 50% of its former size.

According to the tables published by the UN and the World Bank, before the crisis of summer 1998 Russia ranked 81st in terms of per capita income, just below Bulgaria, and 72nd in the human development index, behind Turkey. The total number of countries in the tables is 174.

Since then, Russia must have slipped down the list, as according to the IMF its GDP fell by 4.8% in 1998 and is expected to decrease by 7% in 1999. The rise in fuel prises in the latter months of 1999 might enable it to curb and bring down inflation, which could have soared to 100% during the year.

Russia has been granted loans totalling some $150bn. It is not quite known to what use such a substantial sum of money has been put, though there seems to be evidence that part of it has returned to foreign banks, deposited by Russian citizens. The money, instead of speeding up the reforms, has thus served to postpone them.

At the beginning of 1999 almost a third of the Russian Federation's population was living below the poverty line, which is put at $22 per week.

The recently emerged middle class, badly hit by the crisis, has practically ceased to exist. This gap is obviously affecting the consolidation of democracy. Russian society today more or less consists of a group of oligarchs who mostly hail from the old "nomenclature" and a legion of needy people.

Public servants have not been paid for months. Official unemployment figures stand at just 12% of the working population. The real figures must be much higher.

In many regions people have resorted to barter and the employees of some companies and production centres are paid part of their wages in kind, having to spend their free time selling the items they receive. The

military personnel of some units grow what they consume, as the quartermaster general no longer supplies them with what they need.

The public health service has collapsed under the strain of the spread of certain diseases, primarily aids, syphilis and tuberculosis. The state is unable to pay for the imported medicines that cover 60% of Russians' needs, as the pharmaceuticals industry has largely been dismantled by reformers owing to the low quality of its products, according to the big multinationals. In Moscow alone over a million senior citizens and sufferers of chronic illnesses currently receive free state medicines that the public system is going to prove incapable of subsidising.

There were reckoned to be some 8,000 Mafia-type criminal organisations in Russia in 1998, many with influential political connections.

Poverty, inflation, crime and disease are on the increase. In 1999, Russia is on the verge of collapse if it does not receive—and administer properly—substantial foreign aid.

Despite this mayhem, the outburst of the patiently long-suffering Russia that many predicted has not occurred. The few strikes staged evidence the weak Russian trade unions' inability to mobilise society.

If such dire straits are the price to pay for freedom, many sceptical citizens are murmuring Lenin's well-known retort of "freedom, what for?" It is regrettable that the Russian people have achieved this only to become more impoverished and see how a set of opportunists have got rich from the uncontrolled privatisations, which have benefited many of those close to the power circles.

The resounding economic and social failure of Mr Yeltsin's regime is plain to all.

Russian foreign policy

The primary objective of Russia's foreign policy appears to be to consolidate the Commonwealth of Independent States (CIS) in order to achieve economic and political union under Russian control. This would enable Russia to regain, as far as possible, the weight that the Soviet Union—which nationalists and communists still yearn for—had in the world.

The other main goals, in order of importance, are: to shape OSCE into the cornerstone of security in Europe, ousting NATO; to hinder the

latter's eastward enlargement; and to prevent former USSR countries from joining it.

Russians regard NATO as a potential threat to their security. They consider that the US is trying to take advantage of Russia's current weakness to strengthen its own influence in Central and Eastern Europe. The settlement of the Kosovo conflict by means of NATO's military intervention has heightened their misgivings about the Atlantic alliance.

Russian military thought still clings to the philosophy of valuing solely the increase in NATO's military capability that enlargement would bring and fails to trust its leaders' declarations of "good intentions". Even if such intentions were sincere at the time, Russians believe they could change in an uncertain future. As Russia sees it, NATO aims to consolidate its privileged situation of an organisation that is above international law, acting as both judge and party in the settlement of future conflicts, to its own advantage—and, of course to that of the US.

Russia seeks to become totally integrated into the world economic order by joining the WTO, the OECD and G7, where it attends meetings as an observer. It has a long way to go.

In Asia and the Far East, Russian foreign policy, keen to establish a multi-polar geopolitical world, continues to strengthen relations with China and Japan. Russia has undertaken to provide technical assistance to China in installing nuclear power stations and has sold the country submarines and aircraft. The two countries made a common cause against NATO in Serbia following the deplorable incident of the bombing of the Chinese embassy in Belgrade.

In August 1999 a meeting took place in Kirgizstan between the presidents of the so-called "Shanghai Group", which comprises China, Russia and the former Soviet Union countries that border on China: Kazakhstan, Kirgizstan and Tajikistan.

In addition to considering the threat of Islamic extremism and analysing the progress in implementing the agreements reached on border delimitation, Boris Yeltsin and China's President Jiang Zemin once again declared themselves to be in favour of a multi-polar world order.

The two presidents met again in December 1999. Mr Jiang Zemin publicly announced his support for Russia in the Chechen conflict and both expressed their readiness to oppose any western intervention in

other countries' "internal affairs" for "humanitarian reasons" and to curb US leadership.

Moscow and Tokyo, which have not yet signed a peace treaty since the second world war ended, have decided to enter into an "agreement of amity and co-operation" that will provide a definitive solution to the dispute over the Kuril islands.

Russia is on excellent terms with India—which distances it from Pakistan.

In the Middle East Russia pursues a policy that differs from those of the western powers. It has signed contracts with Iran to supply weapons and technical co-operation for Iran's nuclear power plant programme. However, the countries still disagree over the delimitation of the waters of the Caspian Sea.

As pointed out earlier, Russia is endeavouring to maintain its geopolitical domination of the countries of the southern Caucasus, where it aims to continue to control the routes along which oil and natural gas from the Caspian are transported to Europe and Asia. It is finding this increasingly difficult.

Russian diplomacy was very active in all aspects of the complicated Kosovo conflict. From the outset Russia supported Serbia's cause, putting the blame on KLA terrorists for being the main cause of the problem and excusing Mr Milosevic's repressive policy.

In general, Russian public opinion shares the widespread theory that NATO was not legitimately entitled to act as it did without the approval of the UN Security Council, though it knew very well that a Russian veto would have prevented the expeditious procedure followed by the Serbs in Kosovo from being stopped.

Despite its diplomatic efforts, it became obvious that Russia was powerless to support Serbia.

After coming to terms with the harsh blow of seeing three Central European nations join NATO, Russia was forced to stand by while the US and its NATO allies bombed without impunity a Slavic nation to which it is bound by political, historical and ethnic ties. Russia had little say in the peace settlement eventually reached with respect to Kosovo, which, in the eyes of the world, has become a symbol of its political and military impotence vis-à-vis the West.

Getting ahead of NATO land forces by posting a small SFOR contingent at Pristina airport was merely a gesture.

At the Helsinki meeting, G7 reached an agreement with Russia to establish peace and deploy the KFOR, which would include a Russian contingent of 3,600 soldiers, to Kosovo. This allowed Russia to give token evidence of its contribution to the complicated definitive solution to the political problem of Kosovo, without abandoning its Serb friends to their fate.

This small compensation is obviously not enough to make up for the humiliation that NATO inflicted on the Russian people, and has worsened their traditional mistrust of the West.

As for bilateral relations with the US, it should be pointed out that Russia is opposed to amending the ABM (Anti-Ballistic Missile) Treaty, which it regards as a resumption of the SDI (Strategic Defence Initiative) programme that could give rise to a new nuclear arms race. For its part, the Duma has not yet ratified the SALT II treaty.

The political situation at home

In September 1998, Boris Yeltsin's loss of political clout looked irreversible. After the Duma rejected Viktor Chernomyrdin as candidate for prime minister, the designation of Yevgeni Primakov seemed to corroborate suspicions that the political career of the hitherto omnipotent president of the Russian Federation had started an unstoppable decline.

Mr Primakov, who was elected by consensus, formed a coalition government and even gave the Communists two portfolios.

While President Yeltsin suffered from new ailments, Mr Primakov, during his eight-month stint in power, sought the support of the Duma, which forced him to negotiate with the communist and nationalist majority.

He thus shifted away somewhat from those who represented a more liberal ideological leaning. In his own words, he applied a "socially-oriented" market economy (issuing paper currency and exercising greater state control over the economy). But the foreign credit institutions demanded liberalising measures and this placed him between the devil and the deep blue sea.

At least while in office he managed to get the Duma to approve the budget for 1999, which was the most austere in 8 years. His policy of restricting public spending went down very well with the IMF and the World Bank, with which Russia was negotiating the unfreezing of the second tranche of the $22.6bn bailout package granted in July 1998 just before the economic turmoil of August 1998 which toppled Sergey Kiriyenko's government.

In these circumstances Mr Yeltsin, whom many regarded as a political outcast, reappeared on the scene, perhaps startled by the din of the bombs that were starting to fall on Serbia.

On 12 May 1999 President Yeltsin dismissed Mr Primakov at what was an extremely delicate moment in the international situation. This led to a renewal of the previous year's wrestling match with the Duma, whose approval was required for the new candidate.

Mr Yeltsin designated Sergei Stepashin, minister of the interior with Mr Primakov, who had served his political career with the FSB (Federal Security Bureau), the KGB's heir.

The Duma surprisingly accepted Mr Stepashin two days after debating on whether to bring impeachment proceedings against the president on five charges: break-up of the USSR in 1991, bombing parliament in 1993, illegally triggering the war in Chechnya, dismantling the armed forces and genocide of the Russian people for applying a criminal economic policy. All these charges were firmly backed in the voting, but did not secure the two-thirds majority established by the Russian constitution. Over a hundred deputies abstained, aware that impeaching the president would mean dissolving the house. It was probably the survival instinct of the deputies that inspired the Duma to agree to the appointment of Mr Stepashin as prime minister, as proposed by President Yeltsin.

The Duma's docility in May 1999 contrasts with their determined, open opposition to Mr Yeltsin only months earlier.

This episode goes to show that one can never rule out the unexpected in Russia. The political storm that broke out died down with a speed that caused surprises all round.

Mr Yeltsin's official explanation for Mr Primakov's dismissal was his government's slovenly management of the economy. Many put it down to "political jealousy" of Mr Primakov's growing popularity.

President Yeltsin finished forming his new government in May 1999. It naturally did not comprise any communist ministers, nor was it a coalition cabinet. However, it bore a certain resemblance to the previous one, since the defence and foreign ministers, among others, were kept on. As mentioned previously, Mr Stepashin himself had been minister of the interior.

Mr Stepashin tried to get the Duma to approve the measures that the IMF had recommended in order to unfreeze the loans granted to Russia in 1998. In order to do so, the Duma would have had to pass twenty or so bills, many of which had been tabled by previous governments.

On 2 August 1999, Russia reached an agreement with the Paris Club to delay payment of the $1.25bn it owed until 2020 and received $640m from the IMF in order to renegotiate another debt with the latter that had expired.

Mr Stepashin's government only lasted from May to August 1999. Mr Yeltsin dismissed him unexpectedly and designated as a substitute Vladimir Putin, who, like his predecessor, had been head of the FSB.

This time President Yeltsin justified his move by Mr Stepashin's failure to take precautions to allow for the deterioration of the situation in the northern Caucasus. However, many analysts attribute the dismissal to his failure, with a view to the upcoming elections, to prevent the formation of a powerful political alliance that was hostile to Mr Yeltsin and his cronies, headed by the ambitious mayor of Moscow, Yuri Luzhkov, former prime minister Primakov and a group of regional barons. This alliance goes by the high-flown name of "Fatherland-All Russia".

While the political parties are forming coalitions, recruiting former ministers (Mr Stepashin signed up to the "Yabloto" liberal party) and preparing for a tough campaign for the parliamentary election in December 1999, Mr Yeltsin's and his family circle's reputation is being badly affected by charges of corruption. The removal from office of the attorney general Mr Skuratov, revoked by the Council of the Federation, is related to his investigation of cases that implicate the Kremlin.

To the serious political and economic problems the Russian Federation faced in autumn 1999 have been added those arising from the military campaign undertaken in Chechnya. Irrespective of whether Russia succeeds in what it failed to achieve in 1994-1996, the economic impact of a lengthy conflict can be devastating. The land and air operations being

carried out entail special expenses and rebuilding Chechnya from the rubble will be even more expensive.

For his part, Chechen rebel leader Shamil Basayev has stated that a *jihad* (Islamic holy war) is the only means that remains to him to settle the Chechen problem and admitted that his fighters include *mujaddid* from all the Muslim countries. These rash declarations bore out Russian propaganda of the existence of a Wahabbist plot to set up an Islamic Republic in the northern Caucasus, which financed Basayev's and Khattad's militias. Not an appealing prospect for the West.

The question arises of whether Russia has not unwisely stirred up a hornet's nest or whether it had no other choice but to respond to the Chechen guerrillas' aggression in this way considering the interests at stake: the integrity of the Russian Federation and the maintenance of its influence in the Caucasus.

FINAL CONSIDERATIONS

With the exception of Romania, the political and economic situation improved in all the Central European countries that are endeavouring to meet the so-called Copenhagen criteria to join the EU: a democratic political system; the rule of law; a competitive market economy; and respect for minorities. Estonia and Latvia do not meet the latter. However, in view of the EU prospects, it does not seem likely that accessions will take place, by stages, until after 2003.

The political instability of the Russian Federation, as evidenced by the successive ministerial crises in 1999, has not helped improve the disastrous economic and social situation that has dragged on since the deep crisis in 1998. Russia does not inspire confidence in foreign investors and has a long way to go before achieving its aim of becoming integrated into the world economic order. However, the rise in oil prices at the end of the year will benefit the Russian economy.

On the foreign-policy front, it has been unable to prevent three Central European countries from joining NATO and was forced to look on powerlessly while the Atlantic alliance adopted a military solution to the Kosovo conflict without taking heed of Russia's reasons in favour of its Serb protégé. Both events have wounded the Russian people's pride and could rekindle the embers of their nationalism and increase their atavistic mistrust of everything from the West.

The military intervention in Chechnya has complicated the political situation at home and, if it is not soon settled, could put paid to the popular support commanded by Mr Putin's government, apart from causing further damage to Russia's ailing economy.

International pressure will cause Russia to moderate the expeditious procedure applied in Chechnya and attempt to improve the situation of the refugees, but it seems unlikely that it will achieve anything further.

Russia will not accept any mediation because for the time being it does not want to reach an agreement with the Chechens: it wants them to capitulate and also regards the conflict as an "internal affair"—a view that is shared by China. Chechnya, a republic of the Russian Federation, has scant possibilities of being recognised as an independent nation, and less so the more radically Islamic it becomes.

The economic dependence, to some degree or another, of all the CIS countries on Russia, as evidenced following the crisis of summer 1998, is a more solid cohesion factor that Moscow's political efforts to achieve a new union.

The political class and the institutions that exercise effective control are preparing for the bitter electoral campaign that is around the corner. Reformists and liberals will be pitted against communists and extreme nationalists. The former are going to have a hard task convincing the disillusioned Russian people. The people's wariness of politicians who, once in power, feel no obligations towards their electorate, points to the prospect of a high percentage of abstentions. A new factor in the electoral process is the popularity the government earned thanks to their firm hand with the Chechen terrorists, and this does not appear to be waning prior to the parliamentary election.

The result of these elections will have considerable influence on the presidential election in 2000, when the turbulent Yeltsin "era" will come to an end—not only because this is his last legal period of mandate, but also because the 1993 constitution, tailored to his needs, would have to be amended. The West was late in realising that its support for Mr Yeltsin was unfortunate.

However, given Russia's unstable political situation, worsened by the uncertainty of the outcome of the war in Chechnya, we cannot rule out the unexpected.

CHAPTER FOUR

THE MEDITERRANEAN

THE MEDITERRANEAN

By Pedro López Aguirrebengoa

INTRODUCTION TO THE MEDITERRANEAN SCENE

By the time this new edition of the *Strategic Panorama* sees the light we will have turned into a new decade, century and millennium. This is an important factor that is linked emotionally to the idea of change—a change we are indeed experiencing at world-wide level in all spheres. We are also witnessing such a change in the Mediterranean, where its effects are deep and fast occurring.

The plural and fertile Mediterranean does not escape the influence, in all areas, of what we call globalisation. But while perceptible, conceptual and concrete progress is being observed towards the goal of jointly building a culture of shared peace, stability and prosperity, embodied in the Barcelona process and other initiatives, factors such as longstanding conflicts and unresolved problems, mistrust and lack of sufficient mutual knowledge and understanding continue to draw on, hindering co-operation.

There has been a gradual shift—among the elite rather than the general public—away from the "culture of contempt" that formerly characterised relations between the three classical monotheistic religions and influenced the respective cultures living around this sea during harder times. At the same time, there is a desire to return to the tradition of tolerance and co-operation that illuminated other periods, such as the age of co-existence in medieval Spain. This does not mean to say that even

today new forms of rejection of "others" will not emerge, even in northern Europe, where visible outbreaks of racism and xenophobia have occurred in response to phenomena such as migration or ethnic minorities. The democratic processes under way in the South contrast with the resurgence of extremism rooted in religion, ethnicity or nationalism, or the use of violence, such as the scourge of terrorism. The socio-economic prosperity of the North contrasts with the poverty and economic stagnation of the South. All this intensifies the challenges we face in key areas of ensuring that the Mediterranean, which has made so many and such valuable contributions to the development of mankind in the past, banishes confrontation, becomes a model of co-existence and contributes to the shaping of a new, more just and supportive world order.

From this perspective, the aim of this paper, as in last year's edition of the *Strategic Panorama*, is to examine the Mediterranean in full, that is, including its broad geopolitical, socio-economic and cultural periphery, as well as the other international players and interests that come together in this region.

From a global viewpoint, Europe, the United States and the Japan-Asian area, are currently the three most important economic poles. As such they compete with each other and therefore attempt to enhance their ties of solidarity with the complementary—and usually, but not always adjacent—areas with which they have affinities, in order to strengthen their positions mutually. This competition gives rise to a global interactive effect that boosts progress, though its consequences are sometimes negative, as witnessed, for example, in the spread of economic crises to other areas.

At the same time, the main players of these three poles have strong political links based on shared values and regional alliances or specific agreements. This is particularly noticeable in the field of security, management of strategic resources and other key sectors, as well as in the general manner of conducting international relations.

In the latter sphere, the United States is world-wide leader, with a far-reaching presence and influence in the Mediterranean context. However, owing to America's physical distance from this Mediterranean region, its approach lacks the multilateral and global component that the Europeans' proximity necessarily affords them, and the North-South problems do not affect the United States to the same extent and in the same way.

The United States continues to focus its Mediterranean policy from overall basic strategic considerations—security and access to energy resources, among others. Its action stems from a horizontal view of the area and a scheme of "special" bilateral relations with some pivotal countries. Its basic guidelines can be summed up as: securing and maintaining a dominant influence over the crescent of energy producing countries that stretches from Algeria to Afghanistan, including the Caucasian-Caspian route, which will be the new key area of the future, and over its export routes; and securing leadership in the Middle East and accesses, maintaining its political initiative and control of the Arab-Israeli peace process.

In this connection, the United States attaches importance to: stability in the Maghreb as an Arab area which, in turn, provides physical access to the Mediterranean and Middle East, and the important role of Morocco as a moderate linchpin capable of moderating the whole of the Arab countries and in the very Middle East peace process, like Tunisia; Algeria, as an energy-producing country that needs political stability vis-à-vis the threat of fundamentalism; and Libya, to which it applies a policy of containment of radicalism.

In the Middle East Washington has given priority to developing privileged strategic relationships: with Israel, as a fundamental ally given the significant commitment towards its existence and security that America's home policy supports—would it be apt to speak of hypostatic union?; with Turkey, as NATO's mainstay in the area and owing to the singular value of this country's geopolitical situation at the crossroads of the Caucasus and with respect to Iraq, Iran and the Gulf; with Egypt, on account of its weight and role in the whole of the area; with Jordan, as a moderate element of equilibrium in conjunction with the Palestinians and Israel, neighbour of Syria, a shield protecting Saudi Arabia and an area of access to, and contiguity with, Iran and Iraq. At the same time, it pursues a policy of dual containment with respect to the latter pair, encouraging a change of regime in Baghdad in order to put an end to the risks of Saddam Hussein's Baasist nationalism and democratise the country, and bring about a moderation of Iranian revolutionary Shiism.

Regarding the "containment" policies the US applies to Libya, Iraq and Iran, it should be explained that the origins and development vary in time and circumstances, though they are all basically rooted in these three regimes' radical opposition to America's policy in the area and their political activism —with the use or support of violent means by extremist sec-

tors—that goes against the terms of the Middle East Peace Process (MEPP) favoured by Israel and the United States. On top of this, each of these three countries has furthermore been responsible for specific events, such as Iraq's invasion of Kuwait and the threat for the Gulf states, which warranted condemnation and sanctions from the international community. However, superposing these two aspects has often blurred the divisions between them, giving rise to a variety of approaches that have not strengthened the role of the international community, which has been accused of capitalising on the situation by pursuing goals that go beyond the scope of its decisions or policies with a double yardstick. This can even be perceived among those who, though sharing the fundamental values and approaches that the international community should safeguard in the face of the problems posed by these regimes, hold different views of the strategy and means to use. The handling and voting on the United Nations resolutions relating to these three cases evidence this, as do the differences in opinion between the US and the European Union with respect to the latter's "critical dialogue" with Teheran, or the fact that the system of sanctions on Iraq continues indefinitely.

The US strategy against Saddam Hussein's regime, based on the Iraq Liberation Act passed by Congress together with the related funding, includes continued economic (sanctions) and military (continued actions against installations in the "no fly zones" and assistance in training opponents), diplomatic, political and legal (intention to bring the leaders to international justice for crimes against Humanity) pressure. At the same time, it is preparing for "the day after" Saddam Hussein's fall from power, seeking commitments of international aid to set the country's economy on the road to recovery and stimulate convergence and co-operation of Iraqi groups that oppose the regime. An example of these endeavours is the Iraqi National Congress of opposition groups to Saddam Hussein's regime held in New York on 1 November, which Washington regarded as a very positive step in that direction, even though only part of the opposition attended.

Is this an appropriate strategy for bringing about change in Iraq without paying the likely price of a major outbreak of internal violence and a subsequent deterioration of the situation of the Iraqi people? Is it coherent with current international law? Will its results, if successful, guarantee Iraq's integrity and unity, or—even if they formally respect it—will they weaken the country with formulas that attempt to fit in with different Sunni, Shia and Kurdish identities? How would this affect the neighbouring countries and the future stability of the area?

Only recently has America shown signs of a greater interest in shaping its Mediterranean policy in conjunction with the southern countries on a multilateral level. The two most noteworthy initiatives in this connection are the Middle East and North Africa Economic Conferences (MENA) and the so-called "Eizenstat initiative" for the Maghreb.

The first of these stems from the specific approach and goals of supporting the Middle East Peace Process (MEPP), together with Europe and other international players, and gradually integrating Israel into the Arab subregional context. Morocco acted as promoter at the Casablanca Conference (1994), amid the heat of the Oslo Israeli-Palestinian agreement, which was followed by those of Amman (1995) and Egypt (1996). The subsequent deadlock in the peace process and the resulting attitude of the Arab countries caused it to meet with scant success, as evidenced in the Doha agreement (1997). Arab logic has been clear: Israel should not receive the benefits of peace unless decisive headway is made in the MEPP. The new climate created by the current relaunch of the latter opens up the possibility of resuming the MENA project, the next meeting of which could take place in Egypt in spring 2000.

In the Maghreb, the so-called "Eizenstat initiative", which was launched last year and is currently under way, with visits to some countries in the area, is aimed at developing an economic area between the Maghreb and the United States. It is still at an early stage and does not appear to envisage anything like the size of the Barcelona process.

It is only natural that the European Union, which, from its overall Euro-Mediterranean logic and the strong ties that bind it to the United States, should have been seeking a bigger political role in the MEPP in accordance with its weight in, and co-operation with, the region, as well as with its work in promoting peace. This wish does not go against the role of the United States, which is accepted both by Europe and by the very Arabs who call for greater European involvement. It has been gradually gaining strength within US logic, although its practical effects remain limited.

There is a lingering impression that, from America's viewpoint, the European ally, though a valuable source of support, is not indispensable to the current handling of the political dimension of the peace process. At the same time, both Washington and Israel are reluctant for it to have a bigger role. Among the underlying reasons for this, one constant feature should be borne in mind: Israel has always preferred strictly bilateral negotiation —at most with the United States as facilitator, given the special affinity

between the two—of the substantive aspects of the conflict, because this approach is to its advantage bearing in mind the relative weight of the sides, more evident in the Palestinians' specific situation. By contrast, Europe, which holds more balanced attitudes towards the conflict and is closer to the feelings of the international community as a whole, has the capacity to provide a counterweight that aims to put the two sides on an equal footing vis-à-vis a negotiation that, for this very reason, is more likely to be genuine, just and, as such, able to bear lasting fruits. That is one of the justifications for the effort to assist the Palestinians.

However, looking ahead to the long term, it is necessary to consider that, when the foreseeable degree of convergence occurs between the MEPP and the agreements to which it gives rise and the Barcelona Euro-Mediterranean process, the respective approaches will be set to complement each other. The main regional players in the peace process are all members of Barcelona and, when the time comes to "build" peace on the different planes, Europe's potential will be a much greater deciding factor owing to the scope of its relations with the countries in the area and the common interests on which they are based.

The Barcelona process has spread the Mediterranean essence of the European coastal states to the members of the European Union, and this will be completed in future as the Union successively enlarges. Some current southern partners, such as Cyprus, Malta and Turkey, are presently at different stages of accession.

At the same time, it is impossible to think of the Mediterranean area without considering its influence on adjacent areas, such as Eastern Europe, the Black Sea, the Caspian, the Caucasus and the Gulf, or the African dimension provided by the Arab coastal states in the south. It is impossible to think of the Mediterranean without taking into account its neighbour Russia and the aforementioned role of the United States, which, together with Europe, needs to achieve active complementarity in the area.

Russia, which is linked geopolitically to the Mediterranean by its prolongation into the Black Sea, has traditionally felt the need to assert its presence in the South. Nowadays it shares the perception, of which the Helsinki Declaration was a precursor, that European processes directly influence the Mediterranean situation, with the corollary that, inversely, global security in Europe cannot be conceived without stability and sustained development in the Mediterranean area. This is even more signifi-

cant when conceiving a general, global security model for 21st-century Europe. The European Security Charter and its adoption at the summit of the Organisation for Security and Co-operation in Europe (OSCE) in Istanbul is an important step.

Russia's perceptions on this matter were reflected, for example, in the address given by the Russian foreign minister Igor Ivanov at the Formentor Forum (23 October 1999). In this speech, he expressed his support for the Barcelona process and other Mediterranean co-operation initiatives, while formulating a more globalising proposal, evoking the role of the United Nations and its Security Council and calling for a closer link between the role of OSCE and its "Mediterranean dialogue" and the Barcelona process. In this connection, he pointed to the concept of the "great and open Mediterranean", including the Black Sea basin, with some sort of mechanism or structure establishing a link between the various regional and subregional initiatives. He likewise recalled what was a Spanish and Italian idea of holding a Conference on Security and Co-operation in the Mediterranean, a broader precursor of Barcelona.

Bearing in mind the foregoing, it will be necessary, when the time comes and headway has been made in the Euro-Mediterranean process, to reconsider the role of the United States and Russia with respect to the development of the political chapter of the Barcelona Declaration. This also applies to the role of the other players and regional organisations without whose support and consent the global development in the Mediterranean of key areas such as security and its defence or military components is inconceivable.

In any event, with a view to the future, the "Barcelona spirit" seems to be the most coherent framework for shaking off the burdens of the past and creating a common culture of peaceful co-existence, confidence and co-operation between the Mediterranean peoples.

The outlook for Mediterranean events in 1999 is more encouraging and we believe it should be conducive to the settlement of the outstanding conflicts and, accordingly, to the development of the Euro-Mediterranean process as a whole on both the North-South and South-South axes.

In the Mashriq, mention should be made of the clear signs of a stronger desire for peace, such as the change of government in Israel and the relaunch of the Israeli-Palestinian track. It is hoped that the rest will soon follow suit. To this should be added, as a sign of stability, the untroubled

succession in the Hashemite Monarchy of Jordan and the re-election of President Mubarak in Egypt, as well as other equally significant events.

There are undoubtedly also a better atmosphere and encouraging prospects in the Maghreb: in Algeria, after the election of Abdelaziz Boutefilka as President, followed by the Referendum on Concord; in Morocco, where the major loss entailed by the demise of King Hassan II has given way to a new era ushered in by the encouraging and modernising King Mohammed VI; in Libya, after it found a solution to the Lockerbie case that will enable the country to return to international normality and, we hope, lead to its joining the Euro-Mediterranean process, filling the gap caused by the absence of this Arab coastal state; and in Tunisia, whose encouraging progress is becoming consolidated, a new development being the re-election of the president. On top of this is the possible re-launch—which, although not necessarily immediate, is desired by all the members—of the Arab Maghreb Union (AMU), a key element in the development of subregional co-operation and of the Euro-Mediterranean area as a whole.

In the Aegean, where the resumption of bilateral talks between Greece and Turkey point to a détente and settlement of differences, which in turn should have a positive influence on the final quest for a solution to the issue of Cyprus and on Turkey's accession to the European Union.

And lastly, even in the Balkans, where, despite the ills that continue to affect the subregion, the Kosovo experience, the outcome of which has been regarded as positive on all sides of our Sea, brings hope that everybody's conviction that peace is possible may become a reality. The European Union's initiative of a Stability Pact, adopted at the Cologne ministerial meeting (10 June 1999) and followed by the Sarajevo Summit (30 July 1999), has opened up a new long-term prospect based on a comprehensive EU effort to forge closer relations with the subregion, including a new scheme of bilateral stability and partnership agreements adapted to the circumstances of the countries to which they are offered.

Only in the Caucasus and neighbouring areas were fresh outbreaks of tension witnessed—Chechnya, Dagestan, the assassination of the Armenian prime minister—with potentially worrying repercussions on what is a key area for the Mediterranean on account of its resources.

In short, it can be said that while uncertainties and sources of tension continue to exist, the overall outlook for the Mediterranean area is currently more positive. Undoubtedly much more so than a year ago. This

does not, of course, mean that the as yet unresolved political problems or the serious socio-economic issues that require a solution may be ignored. But there is room for cautious optimism, provided that the opening-up and renewal processes currently underway are maintained and bolstered.

THE SITUATION OF THE BARCELONA EURO-MEDITERRANEAN PROCESS

In last year's edition we attempted an approach that focused particularly on the future, while bearing in mind the past and the problems of the present. In this regard, the analysis was centred on "the Barcelona Spirit", which underpins the development of the Euro-Mediterranean partnership that sprang from the 1995 Euro-Mediterranean Conference with the same name. As Europeans and Mediterranean people, we are putting all our efforts into this spirit. It is not the only multilateral process in the Mediterranean, but it is the most comprehensive and important one of its kind, together with the Middle East Peace Process. These two processes are different yet closely linked.

Noticeable progress has been made in 1999. On 15 and 16 April, under the German presidency of the European Union, the 3rd Euro-Mediterranean Conference of Foreign Ministers took place in Stuttgart, continuing with those held in Barcelona (1995) and Malta (1997) and the ad-hoc meeting in Palermo (1998). The Libyan vice-minister of foreign affairs, Mr Al-Abaidi, attended for the first time as a special guest of the German presidency. Other attendees were the secretaries general of the Arab League and the Arab Maghreb Union.

The Stuttgart conclusions reflected a new climate that the subsequent relaunch of the MEPP should encourage. On the political plane, it was decided to continue with the work on the Charter for Peace and Stability and the next ministerial conference, to be held in the second half of 2000, was set as a deadline for its completion by the group of senior officials. The Charter will be approved "as soon as the political circumstances permit". It was decided to continue to address the issue of terrorism in the EUROMED framework through a meeting of senior officials and experts, which was held on 23 November, with encouraging results for the continuance of this dialogue. It was also stated that the political dialogue is progressing and becoming consolidated, with partnership-building (confidence-building) measures.

In the economic sphere, following the important conference on regional co-operation which took place in Valencia in January, it was decided to hold a conference on private investment in Portugal during that country's presidency, and backing was given to the ministerial conference on water, held in Turin in October. The participants gave much consideration to the slowness and bureaucratisation of the procedures for allocating the MEDA I funds. Europe informed that the EU will continue to attach priority to its financial contribution to the Barcelona Process, and that this will be reflected in the MEDA II programme, which will replace the former as from 2000. As for social and human affairs, it should be stressed that the plans to hold a conference on health and epidemic and infectious diseases were unanimously endorsed, and the conference took place in Montpellier. Equally significant is the dialogue on migration and the movement of persons, which the ministers agreed to continue with after the Hague meeting. A further meeting of senior officials and experts is due to take place during the French presidency in the second half of 2000.

The foregoing shows that the Barcelona spirit lives on and the Euro-Mediterranean process is following its course despite the difficulties posed by the political situation in the region. It can therefore be said that Stuttgart marked a turning point in the development of the Barcelona Process, which has completed its initial phase and embarked on one of consolidation and maturity.

The "Barcelona spirit" and the principles enshrined in the Declaration refer primarily to the focus of the Euro-Mediterranean relationship, though they also contain a set of universal values and thus transcend this relationship. They are the bases generally accepted by the international community nowadays for achieving peace, stability, co-operation and shared development. Promoting the Barcelona spirit and projecting it in the Mediterranean—in the broad sense of the word—adjacent areas and internationally is a particularly important task.

Through the Barcelona process, we members are endeavouring to build jointly a new security system for the region based on a co-operative approach that goes beyond that of collective security. We want it to be global and interactive, that is, underpinned by the core values and principles adopted in the Declaration, such as democracy, the rule of law and fundamental freedoms, and the development of the objectives established in its three chapters—political, economic, and social, cultural and human. Only in this way will we be able to consolidate peace and stability on the

basis of co-operation and shared wellbeing. In addition to the traditional concept of security, which is linked to defence and other threats to internal and collective security (drugs, organised crime, violence, terrorism, among others), we are also addressing the new social, cultural and economic challenges such as ensuring food supplies, access to energy and water resources and the problem of migration. The central philosophy can be summed up as follows: without security there is no development, and without the latter there is no security.

The first instrument of this ambitious approach is the enhanced political dialogue that has already enabled us to achieve a better mutual knowledge, convergence of ideas and the gradual building of confidence, and this should be fostered by measures that we now call partnership-building. Also important is transnational co-operation in the numerous areas envisaged at Barcelona, which influence internal security.

Attention and effort are currently being centred on the evolutionary instrument and frame of reference provided by the Euro-Mediterranean Charter for Peace and Stability, which is designed to become the cornerstone of the whole process. In future it will be necessary to face other more ambitious challenges, such as controlling and limiting weapons or establishing a regional instrument for settling conflicts.

There is a shared awareness on both sides of the Mediterranean that economic transition in the South and the planned Euro-Mediterranean free trade zone will have positive effects in the long term and pose difficulties in the short term. To mitigate these consequences, a continuous effort is required all round. It is also important to complete the framework of the partnership agreements and put them into practice, among other reasons, because of their convergence effect. At the same time, the Barcelona objectives necessarily entail development and improvement in neighbourly relations and subregional integration in the South. In the Valencia Conference on Regional Co-operation and its conclusions, which were endorsed at Stuttgart, lie the keys to their future orientation.

Lastly, it is appropriate to recall that states are not the only players in this process. In order for it to prosper, the conviction and active participation of civil societies on both shores are required. It is not enough just for the elite to join the process: it is necessary to raise the rest of society's awareness of the Barcelona Spirit.

We might conclude by saying that the 21st century must be that of consolidating the Euro-Mediterranean link. So far it has had only a minor

political slant and this needs to be changed. The Mediterranean must be the focal point of regional globalisation.

In order for this new Mediterranean Spirit to progress towards full development, a joint effort is required from everybody on both sides, focussed on the "Barcelona spirit" and developing its content. Only from this perspective is it possible to take an optimistic view of the future of the Mediterranean. Only through this spirit can we hope to achieve the necessary ideological and political convergence, lessen the socio-economic differences, bring national interests closer together and, all in all, address the conflicts that encumber co-operation. We must do so by developing specific short-term initiatives but from a long-term perspective that envisages the process as a whole, reaching consensus on positions that respect our diversity.

It is equally important to establish and develop a positive synergy between the regional or subregional organisations directly or indirectly related to the area (Arab League, Organisation for African Unity, for example) and the different "Mediterranean dialogues" of western European organisations (NATO, OSCE, WEU, Council of Europe).

As provided in the Amsterdam Treaty, at the Vienna European Council (11 December 1998) the EU decided to include the Mediterranean among its scheduled "common strategies", with a specific mention of the importance of the Barcelona Process and the Middle East Peace Process within this strategy. This strategy, which Spain has been inspiring from the outset and is currently being drawn up, is designed to be a political reflection of the importance that the Union attaches to the Euro-Mediterranean link. Its added value lies in the fact that, as an internal EU instrument, it is intended to co-ordinate and afford greater efficiency and coherence to the work of the bodies responsible for monitoring the problems in the area, and to integrate their actions into the different international levels related to the Mediterranean.

THE OTHER MEDITERRANEAN "DIALOGUES"

These "dialogues", which Spain has been promoting, were examined in detail in the previous edition of the *Strategic Panorama* referred to earlier. Their gradual development has not ceased, though they still encompass a limited number of countries on the southern shore. The active participation of the Mediterranean partners varies according to the

circumstances of each one, though on the whole, for example with respect to NATO, they are still predominately receptive to non-military aspects and reluctant about the development of multilateral co-operation in security matters in the traditional sense of the word—that is, aspects most directly related to defence. This is due to the reservations harboured by the Arab countries, which stem from sensibilities such as those arising from a view of NATO as a western military instrument that is associated with the cold war or with a colonial past. NATO's new "strategic concept" approved at the Washington Summit and the circumstances in which the intervention occurred are not unrelated to this continued reluctance.

In any event, from the European Union's point of view, these dialogues are an effort that needs to continue. Their role should be supplementary to the Barcelona process, to which they can provide their own experience, especially, for the time being, in confidence building, conflict prevention and non-military co-operation.

MAJOR CHALLENGES OF THE FUTURE

The Mediterranean continues to be plural in all its essential aspects, multipolar and considerably fragmented, and therefore still lacks a unitary and defined geopolitical profile. Attempts are currently being made to conceive and shape such a profile by gradually overcoming the past realities that caused the rifts along the North-South and South-South axes. The progressive integration in the North with respect to economic, political and security spheres, based on important institutional structures (the main ones being European Union, OSCE and NATO), contrasts with the lack of integration in the South.

Europe is highly industrialised, demographically stable and has a close political and economic integration. If the proposed objectives are met, in twenty to thirty years' time Europe will have a single market of some 478 million inhabitants, which will increase with the scheduled accession of Turkey (almost 65 million) to the European Union. For its part, Russia has a population of about 149 million.

By contrast, the Maghreb and Middle Eastern countries are still at the industrialisation stage—except Israel, whose economy is highly modernised—have growing populations and lack the necessary political and economic integration. There are still huge differences between these and the

European countries as regards income, which, on average, amounts to a quarter of European levels in the least prosperous Arab countries.

Forecasts indicate that over the next 25 years the Arab countries will undergo huge changes. According to recent data issued by the World Bank, the Middle East population has grown 30% in the past 10 years to the current figure of 310 million inhabitants, and will continue to increase, stabilising towards the middle of the century before showing a downward trend. In the coming 20 years, the population could reach 460 million, of whom 191 million will belong to the 15-39 age group. This figure is similar to the sum of the 101 million Americans, 33 million Japanese, 22 million Germans, 19 million Britons and 18 million French who will be in the same age bracket.

However, demographic expansion is not necessarily a risk that will lead to Malthusian negative scenarios or those envisaged by Huntingdon of a struggle between civilisations. On the contrary, in the right context and with the right opportunities it promotes development.

At the same time, the circumstances arising from globalisation, among them the so-called information society, will change the norms of political, economic and social conduct.

So far the Mediterranean Arab countries have not achieved substantive progress in subregional development. A mere 10% of trade in the region is inter-Arab, and the Middle Eastern economies cannot afford to continue to seek protection in their abundance of natural resources or practice centralised economic systems. On the contrary, they should carry out essential economic reform processes to enable them to compete in the world marketplace, and are already taking significant steps in this direction.

To achieve convergence, most of the southern countries need peaceful co-operation, political transition, social development, faster growth, reforms, modernisation and economic liberalisation, which in turn requires a sufficient flow of foreign investments.

As regards conflict potential, analysts agree that a noticeable change has occurred. The risk of armed conflict between states has decreased. On the other hand, the likelihood of internal conflicts, which nearly always have international repercussions of varying significance, has increased. In future the economic component and social stability will be bigger risk factors. The challenge facing the countries on either side of the Mediterra-

nean is how to ensure progressive convergence while safeguarding their plural identity and a peaceful and negotiated solution to their differences, based on co-operation and the need to frame their efforts into a common destiny, at regional and subregional level. This requires them to move gradually closer together while taking into account the sensibilities of the countries of the southern shore and their misgivings about what could seem an attempt by Europe to impose its own schemes—sometimes perceived in the South as a subtle form of neo-colonialism—on this area, in order to ensure a true dialogue aimed at building jointly a system of stability, security and shared prosperity in the area.

In societies undergoing transition, as is occurring on the southern shore of the Mediterranean, traditional sources of conflict are strengthened by new factors such as the lack of a suitable government, demographic problems, the shortage or misuse of natural resources, environmental degradation or the proliferation of weapons. The remedies entail a continued effort that combines a variety of instruments. It is a task that requires the participation of international organisations as well as multilateral and bilateral co-operation between states. The preventive dimension, aimed at defusing tension, halting immediate violence or applying policies that address the underlying causes of the conflict, is a key issue. It involves analysing long-term trends and underlying violence factors, in addition to short-term monitoring of the events that trigger such outbreaks.

The global view that the countries of the southern shore take of stability and security must be valued and understood. For many of them, as reflected in their position in the different Mediterranean dialogues under way, socio-economic, cultural and environmental factors are realities to be faced up to, with the consequent risks for internal security or in the context of subregional relations, and are equally important as security factors in the traditional sense or more so in the near future. Hence the insistence that Europe should not only bear this sufficiently in mind in its global and bilateral co-operation with them, but also in its own security scheme.

In the South, we continue to witness a series of structural factors that entail risks of political instability and could potentially degenerate into internal clashes or disputes between countries in the region. Some of these are:

— *The consequences of failure to adapt to imported models and incapability of finding other feasible alternatives.*

Social change has taken place at a faster pace than political change and the renewal of the ruling elite. This has caused rifts, as witnessed in the emergence of new forces or models such as those promoted by the Islamist movements, which are based on the desire of large sectors of society to come out of the isolation they feel themselves in with respect to the political system, strengthen their identity and moralise public life. Therefore, socio-political stability will depend largely on the ability of political systems to go ahead with the modernisation under way and adapt to the generation change, in an open and pluralistic framework that addresses and responds to the new challenges, with solid institutional foundations.

— *The problem of economic growth.*

Overall, long-term subregional growth is linked to these countries' ability to diversify their production and increase economic liberalisation and integration, thus creating the conditions for attracting foreign private investments. The medium-term forecasts of the World Bank are not negative, since in many cases they envisage growth of 4-5% over the next five years, which would enable subsequent reforms to be carried out. However, in other cases, such as that of the oil producers until the recent rise in oil prices, they are more exposed to the fluctuations of the international economy. This entails a risk of growing subregional economic differences, which in turn could generate subsequent difficulties in the process of reform.

— *Demography and migration.*

The significant demographic growth that is forecast will lead the population to have doubled by 2025. According to experts' studies, the pressure will continue until 2050, after which the curve will slope downwards. The risk will increase during this period. The demographic factor has different aspects, which not only affect volume and growth rate but also structure (ethnic, social, cultural and religious) and distribution (urbanisation and emigration). Some political and institutional developments, for example, conflicts and tensions linked to nationalism, unsuitable economic policies, lack of social mobility, or excessive attachment to tradition, can entail an increase of demographic rates. By contrast, peace and an open political and economic system with more secularised and modernised societies can help bring these rates down. A particularly

important factor in this connection is education. The higher percentage of young people generates fierce competition in local labour markets and results in migratory pressure. Human capital in the area will, in general, continue to fall far short of European levels or those of other economically competitive areas.

— *Key horizontal issues, such as shortage of water resources and their consequences.*

Water, a resource that is both crucial and scarce, particularly on the southern and eastern shores of the Mediterranean, has always had a special strategic importance as a security—and therefore political—factor, in addition to being an instrument of power, influence and control, not to mention a weapon. This has been reflected in many of the conflicts and tensions that have arisen in the area, the most significant being the Arab-Israeli conflict. In the Maghreb the water problem is less acute by comparison.

The prospects outlined at the Valencia Conference (1998) on the Mediterranean Water Network can be summed up as follows:

— Drought, in different degrees, is a cyclical yet constant factor throughout most of the Mediterranean area. Droughts commonly last for 2 or 3 years, but can go on for as many as 10. According to the experts, the climatic change we are witnessing merely points to a worsening of the situation, with an average rise in temperatures and increasingly irregular and violent rain (more difficult to harness). In the long run, desertification is expected to increase, and this will affect water resources. Existing reservoirs have so far proved capable of dealing with seasonal irregularities or short cycles in rainfall, but scarcely equipped to solve the problems of prolonged droughts.

— There will be 430 million people living in the Mediterranean countries in 2000 and as many as 500 million by 2025, in an area of 8.82 million km2. The area is undergoing rapid demographic, social, economic and environmental change. Currently 37% of the population live in the coastal regions in an area that accounts for a mere 10% of the total. The rate of demographic growth in the North has stabilised at about 1%, with negative values for Spain and Italy. In the South this growth ranges between 2% and 3%.

— Today there is an area of about 30 million hectares of irrigated land. This needs to be further developed in the South, which is under the double pressure of, on the one hand, catering for inter-

nal food demand, thus reducing dependence on foreign imports, and finding sufficient resources to be able to export farm produce. At the same time, urban build-up, tourism and industrialisation will grow, resulting in a higher demand for water. Domestic consumption is the lowest in terms of quantity. Industrialisation consumes less than farming but contaminates more and affects the ecosystem, though we should also bear in mind the effects of overuse of chemical products in farming. Looking ahead to 2025, water demand is expected to increase by 40% in the north, which has more resources, and fourfold in the south. There will be greater pressure in the coastal areas that attract tourism, and this will cause demand to soar precisely during the season when rainfall is at its lowest.

In short, the availability of water in the Mediterranean limits development, despite the major effort made to regulate and improve the use of water resources and, consequently, their availability. What is more, the cost of this task is rising.

The only Middle East regional player that does not suffer water shortages and has the potential to supply it to other countries in the region is Turkey. This fact strengthens its many other strategic advantages. Indeed, it controls the source of the Euphrates, which is crucial to Syria and Iraq, and to a lesser extent that of the Tigris, which also supplies Iraq. The construction of the Ataturk dam and Turkey's control of the flow have sparked tension with the other two countries.

All the sides directly involved in the Arab-Israeli conflict (Israelis, Palestinians, Syrians, Jordanians and Lebanese, but not Egypt, which is watered by the Nile) have competed, and even continue to do so today, for control, and for their share, of the resources available. Ever since this conflict first arose, with the Jewish colonisation of Palestine and the subsequent creation of the State of Israel, water has been one of the basic components of their territorial strategy. Their only natural reservoir is Lake Tiberias, fed by the Jordan River, whose main headwaters rise in the Golan Heights by the Syrian and Lebanese border, whereas all the other main water sources that supply Israel rise from the West Bank. Just as water has been a key factor in the dispute, and in the current peace negotiations, so will it have to be in building peace, so that the latter is feasible and translates into stability and co-operation.

There has been a project based on the idea of creating an aqueduct that would run from Turkey across Syria and Jordan as far as Saudi Arabia (perhaps eventually branching into Israeli and Palestinian territory), but the situation in the area has so far prevented it from being taken any further. The Israelis have also toyed with the idea that Egypt could supply water from the Nile to develop farming in the Sinai, particularly the area near Gaza, in order to create a focus of development that could ease the demographic pressure on the aforementioned Palestinian territory.

To put it simply, it can be said that there are several approaches to the water question: the Euro-Mediterranean, the bilateral and subregional in the south (Maghreb and Mashriq separately since, owing to their physical separation, they cannot share natural water resources) and the Barcelona regional approach.

In the Middle East subregional framework, the water issue is currently addressed, from the perspective of the peace process: 1) bilaterally (for example, as established in the peace accord between Jordan and Israel and in Israel's agreements with the Palestinians in the final-status negotiations, or with Syria and the Lebanon), and on the local multilateral plane (as in the ententes between Israel, Syria and Jordan concerning the Yarmuk River) and 2) in the multilateral track of this peace process (ad hoc group). This—or another subsequent scenario—could eventually be the context for a broader regional agreement which, in line with the aforementioned projects, could include Turkey, Iraq, Egypt and Saudi Arabia, the northernmost part of which is only 20km from Eilat. In short, it is appropriate to talk of concentric circles which, as such, are destined to be complementary to, and compatible with, each other.

Before Barcelona, appreciable headway had been made in seeking a comprehensive approach at the Algiers conference and, in particular, by the adoption of the Mediterranean Water Charter in Rome in 1992. There are also several international organisations and initiatives with overlapping fields of action: The World Bank Mediterranean Technical Assistance Programme, which finances water schemes and urban water management projects; the Water Initiative, which is intended to reform water policies in the Mediterranean; The Mediterranean Commission for Sustainable Development, which has a working group on water management and demand and develops strategy outlines on this issue; the Mediterranean Action Plan; the International Network of Basin Organisations (INBO); the Euro-Mediterranean Information System on the know-how in the Water Sector

(EMWIS, set up at Barcelona); the Short- and Medium-term Priority Environmental Action Programme (SMAP); and the network of Euro-Mediterranean environment ministries, whose job is to give the technical go-ahead to environmental projects that include integrated water planning.

Within the Barcelona framework, the Euro-Mediterranean Conference of Environment Ministers held in Helsinki in November 1997 approved the programme of short- and medium-term priority environmental actions, which included water among its five priorities. The Turin Ministerial Conference on Local Water Management (18-19 October 1999) and its final declaration and accompanying Action Plan have given fresh impetus to co-operation in this field, carrying on with the work of the previous Marseilles Conference and reaffirming its importance as one of the six priorities of regional co-operation established in the Stuttgart Euro-Mediterranean Conference (15 April 1999). The Plan includes the transfer of knowledge and technology for modernising irrigation systems; the use and development of non-conventional water resources; water-saving techniques; optimum organisation and planning of harvests and farmworkings; and the integrated management of drinking water supplies, sanitation systems and sewage. It also addresses the problem of water in insular regions and draws up local and national forecasts with a view to the sustainable management of this limited resource. A World Water Forum is due to be held in Cairo in 2000.

THE MIDDLE EAST PEACE PROCESS

At the beginning of 1999, the Middle East Peace Process (MEPP) continued to be deadlocked as a result of the policy pursued by the then Israeli prime minister, Binyamin Netanyahu, since coming to power in 1996. The Hebron agreement (15 January 1997) was not wholly implemented and, despite international efforts, the Wye River Memorandum (23 October 1998) was to suffer the same fate, dashing hopes of relaunching the process. The scenario was predominately one of mutual distrust, with violent actions. Two additional elements complicated things even more: the Israeli elections and the possible proclamation of Palestinian independence, which Mr Arafat initially announced for 4 May.

The victory of Labour leader Ehud Barak in the Israeli elections on 17 May ushered in a new political climate in the region. Despite the many difficulties, this points to a relaunch of the Peace Process in all tracks, even

though such a development will take time and will not occur simultaneously in all of them, as America and Europe had wished. Israel's political perspective has changed substantially. The Likud associated the priority of Israeli security with the idea of "peace for peace", with a restrictive interpretation of the principle of "peace for land" adopted at the Madrid Conference, whereas in Mr Barak's view, the core idea is that only peace will ensure security and regional stability, and he does not rule out the possibility of a Palestinian state. His approaches are designed to allow for this possibility, though the conditions that are negotiated are aimed at satisfying Israel's security, making both things compatible, whereas the Likud were against the idea and their demands were directed at hindering or excluding such a possibility.

This does not mean that Israelis and Palestinians will have a smooth ride on the road to final status, given the nature of the issues to be settled, including the question of Jerusalem. Neither will the Syrian track be easy, since both entail returning or relinquishing land, with all the implications —population, natural resources, etc.— and sufficient guarantees of mutual security. The Lebanese track should be relatively easier, since Israel has no territorial claims except for the security-related issues that should go hand in hand with its withdrawal from the "security zone", though the political link with the Syrian track requires the two to be conducted in parallel.

One of the biggest problems of peace is that, even if politicians, whose job it is to conduct the process, want to negotiate and sign peace agreements, their mission not only consists in bringing what are still very distant positions closer together. They also have to sell and make their terms acceptable to public opinion—peace is made by peoples—whose mentality, shaped by decades of confrontation, rejection or mistrust of the "other side", does not evolve at the same pace. The extremist minorities, whose capacity for political and material obstruction is much more significant than their demographic weight, put up resistance, at times violent. Suffice it to recall what happened during the first stage of the "peace of the brave", which cost the leading figure, Prime Minister Rabin, his life. Despite what was assumed to be the country's burning desire for peace, a short-lived wave of violence put paid to the efforts of his successor, Shimon Peres, and led to the electoral win of the Likud, with the well-known consequences of regression and stagnation of the agreements signed.

Israel has experienced two decades of "chilly peace" with Egypt since Camp David. The more recent peace achieved with Jordan five

years ago following the Wadi Araba Treaty (27 October 1994) has not been without its tensions and internal reactions in this country, which has such special ties with the Palestinians. Although its rapprochement with Israel has led the western world to take a more positive attitude towards forgiving or restructuring Jordan's debt and has brought other economic benefits such as the agreements on the supply of water from the Yarmuk and the Jordan rivers and the flow of tourism, and, on the political plane, definitive and stable borders have been established with its neighbour, most Jordanians consider that, despite the concessions made to Israel, they have yet to see the benefits of peace. The "people's peace" with the Arab countries first requires global peace, and for this to be achieved a political agreement needs to be reached with Palestinians, Syrians and Lebanese, and even then a long time will probably have to elapse before "peace of hearts" is achieved. For this to happen, the active support of the whole of Israeli civil society and the neighbouring Arab countries is required. Can this be achieved?

Henry Kissinger once said that Israel has no foreign policy, only a domestic policy. We could add to this by pointing out the important influence of the extension of this home policy in the sphere of the United States. Peace requires national consensus on its terms and, although there can be no doubt that the Israelis want to achieve it, the same cannot be said about their acceptance of the elements needed to accomplish it, as defined in the Madrid Conference and subsequent bilateral agreements. For its part, the European Union recalled them in the important Declaration of the Berlin Council (24 and 25 March).

Israel, with the particular personality that Zionism afforded it—the Jewish State for the Jews—its internal unity and relations with the Diaspora based on the necessity of guaranteeing its existence in the face of Arab rejection, finds it difficult to define its future identity and place on the international scene. This problem is often addressed internally but has yet to be solved, and is worsened by the more imminent prospect of peace. The Israelis' approach to peace and whether the latter is not merely absence of war depends on how they define their own future.

A Jewish State? A Jewish and democratic state? A state for all citizens (including the 20% of Palestinian and Bedouin origin)? These are some of the more usual definitions, depending on the different political and religious leanings, which Israelis themselves have been debating almost since the State came into being, and more so recently. These definitions

have given rise to crises with the Diaspora, such as the one triggered by the law passed by the Knesset under Mr Netanyahu giving Orthodox Jews the monopoly over questions of religious and marital status (conversion and its legality, marriage and divorce). Their impact affects the whole of Jewish society and has political overtones depending on who qualifies as being Jewish and on the Return Act, which funds immigration or *Aliyah*. It was the MAPAI, the Labour movement's predecessor, which actually introduced the problem back in 1948, with a system that does not separate religion and state. Indeed, the religious groups and their plan that any constitution should identify totally with the Torah forced the first Knesset in 1949 to relinquish providing the country with such a fundamental text, which would have completed and developed the Declaration of Independence. Since then, the gap has been filled with successive sectorial fundamental laws, but no written constitution as such. At an early stage only the Religious National Party (Zionist) took part in the Knesset and successive governments. Later, and particularly after the Likud came to power in 1977, the different religious groups have joined in the political game with an increasingly important role of hinge joint between the Likud and the Labour Party. They have been the make or break of coalitions and governments and their growing number of voters, particularly in the case of the Sephardic Shas party, has given them a power that they have used to their own advantage. The uncertain future and the internal tensions the situation generates, together with radical nationalist tendencies and settlers' movements, are at the root of this existential option that in turn is linked to the approach to the peace process. Not long ago, for instance, 250 Israeli rabbis again issued a religious decision considering it illegal to return any territory belonging to *Eretz Yisrael*.

Should Israel continue to live with political or religious doctrines like that of *Eretz Yisrael*, or the Revisionist Zionism of Ze'ev Jabotinsky and Menachem Begin that impregnated the policy of the Likud with radical nationalist attitudes from the time it came to power in 1977, with an identity anchored to the concepts of the past that inspired the annexation of occupied territory, or, worse still, of "land without population"? A lay state, as envisaged in the Declaration of Independence, or, as the zealot minorities aimed to make it, denominational, with a growing importance in society and in the political scene? A Judaism that is universal in its relations with the Diaspora and in its understanding with the conservative and reformist movements, or a nationalistic and regressive Judaism that marginalises even the Jewish minorities, as has occurred with some of the

immigrant groups? Can it look to the future from the perspective of secular Zionism—which is still supported by substantial sectors of the population—that those opinions entail, or, having achieved and consolidated the essence of its Zionist historical vocation, that is, its own existence and recognition thereof by others, should it assume the risk of peace by co-operating and opening up to its neighbours? Will the situation in Israel of the million citizens of Palestinian or Bedouin origin become normalised, or will there be a resurgence of radical tendencies, such as the "they must go" of that notorious rabbi, the late Meir Kahan, and will there be an attempt to transfer this population in parallel with the peace process? Can Israel follow the "Benelux" model of integration favoured by Shimon Peres in the late eighties and, in the longer term, that of the European Union, or will it tend towards the fatalism of "separation" or with only "half-open" borders? Is the type of convergence and subregional co-operation advocated by the Barcelona Euro-Mediterranean process really possible?.

Some of these and other similar questions can also be put to Israel's neighbours, starting with the Palestinians. In all cases, the prospect of real peace with co-operation does not fail to raise a parallel "existential question", each in its own context and circumstances.

For the time being the subregional players in the peace process appear to be enchained by the deep political and socio-cultural differences that stem from decades of confrontation, and by fear that the process may erode their own identity or the assimilation thereof. A change of mentality will be the fruit of peace, but it nonetheless remains certain that, in order for this to occur and develop, an initial conviction is required of a common horizon that globalisation is making it increasingly difficult to ignore in all areas. In this connection, the spirit and development of the Barcelona process, in which they all take part, can be an important support.

The long time taken to form the government coalition and new Israeli government, which was presented to the Knesset on 7 July, and the subsequent period that elapsed before resuming talks with the Palestinians and concluding the Sharm el-Sheikh Memorandum—on the implementation of outstanding commitments relating to the interim phase defined at Oslo and a tentative timeframe for permanent status negotiations—indicate the underlying difficulties that remain. Applying the philosophy that "nothing is agreed until everything is", an attempt will be made to prevent the erosion caused by constant internal pressure, at each specific stage. Will this be

possible given the conditions of Israeli and Palestinian home policy? Paradoxically, the fact that Israel and the Palestinians, unlike other countries in the area, have democratic systems adds to the difficulty of negotiations, since they depend much more on internal opinions and equilibrium.

As expected, the reactions of the neighbouring countries and, in general, the Arab states, to Mr Barak's first steps to relaunch the peace process were as varied as their attitudes. While they were a source of hope for most, they nonetheless aroused scepticism about Israel's real intentions and provoked a negative reaction from those who opposed the peace process itself, against a backdrop of distrust that is still visibly rooted in public opinion.

Like the European Union, the United States has called for a comprehensive process relaunching all the tracks, though the apparent difficulties of resuming the Syrian-Lebanese track negotiations may make it necessary to alter this scheme, even on the part of Israel, which initially appeared inclined towards it.

PALESTINIAN TRACK

As mentioned earlier, Mr Barak's plan for the Palestinians is very different from that of Mr Netanyahu, although it may not seem so given the circumstances. Its key lies in the time factor, since, rather than viewing the peace process as an indefinite and, at the least, long drawn-out process, Mr Barak is aiming to complete it within a year and a half and, in any event, during his mandate. This is not out of keeping with what the United States has in mind. On the one hand, President Clinton would, logically, like an appreciable and irreversible achievement to have been made in the peace process in time for the presidential elections and the end of his second term in office in January 2001. On the other, it is a well-known fact that a change of administration in the US entails a period of adaptation and less activity.

After intense negotiations throughout August, Palestinians and Israelis signed the Sharm-El-Sheikh Memorandum on 4 September. This document amends the implementation of the provisions of the Wye River Memorandum and adds new commitments relating to the start of the permanent status negotiations. In order for this accord to be signed, the US and EU were required to issue letters of guarantee, basically to assure the Palestinians that the possible difficulties or a standstill in the permanent

status negotiations will not prevent Israel implementing the commitments entered into in the Sharm-El-Sheikh Memorandum and earlier agreements.

The Memorandum basically contains the following elements: 1) A new implementation timetable with slower and more spaced-out Israeli redeployments up to the 13% established at Wye (Mr Netanyahu carried out an initial 2% redeployment; 2) The release of Palestinian prisoners in Israel in three phases; 3) A timetable for implementing different outstanding issues of the Interim Agreement (construction of Gaza seaport, safe passages, etc...); 4) Implementation of Palestinian responsibilities in security maters; 5) Negotiation of a Framework Agreement on issues relating to Permanent Status, to be concluded by mid-February, though this will probably take longer; 6) Resumption of Permanent Status negotiations by 13 September, though this was delayed until 8 November. These negotiations should be completed within a year, that is, by 13 September 2000.

Implementation has been delayed, for example, with respect to the release of prisoners and the opening of the safe passage. This has led to mounting tension and a certain amount of scepticism on the part of Palestinians as to Israel's real intentions and as to whether the current strategy is really different from previous ones, but the fact is that it continues.

The negotiations on Permanent Status issues promise to be very tough bearing in mind the gap between the two sides' initial stances and the complexity and sensitivity of the matters to be addressed. We anticipate crises, standstills in the negotiations and acts of violence from those who still oppose the process in its present form. In this connection, it is important not to allow these crises to endanger its continuity. As for the deadlines envisaged in the agreement, it is hard to believe they can be met and it is quite possible that the sides will eventually have to adopt temporary understandings on some issues—such as the future of Jerusalem or refugees—or agree to stagger the implementation of the agreements.

The Framework Agreement therefore seems crucial. Its purpose is not merely to reaffirm the principles and elements of reference in order to generate sufficient confidence and make negotiation feasible, laying the foundations or finding a solution to an approach agreed by consensus for each of the issues on the final status agenda. Although this is not reflected in the text, the sides will have to confirm to each other that there will be a Palestinian state—the Palestinians take this for granted and consider it to be a prior condition, and that a formula will be sought for Jerusalem as a dual capital, perhaps along the lines of broadening the city

boundaries and finding a special formula for the Old City. Another point that needs to be confirmed is that the land to be finally returned to the Palestinians on the West Bank has sufficient territorial contiguity and access to the Gaza Strip so that it provides a feasible support to that State, and has suitable resources. The idea of land compensation should not be ruled out, as this would help resolve the difficult issue of settlements and would strengthen the agreement whereby Israel would keep part of the occupied West Bank territory, at the same time providing the Palestinians with a justification, both for themselves and vis-à-vis the Arab world. Finally, it should envisage an environment of economic co-operation and social communication in which "separation" is restricted to the minimum requirements of mutual security.

In short, the Framework Agreement should "finalise" the fundamental aspects and questions of principle of the main issues, including, perhaps, a more long-term timeframe for Jerusalem and the refugees, leaving only the technical aspects of other issues—security, borders, water and settlements—for a later debate.

The option of a viable, democratic Palestinian State with good neighbourly relations is important for Israel, for its stability and security. It is the logic of those who, like the Labour party, believe it is the only way to avert the danger that political annexation—internationally unthinkable—of the Palestinian territories and their population would pose to the survival of Israel's Jewish and Zionist identity; or the danger of their continuing under Israel's sway through formulas of mere administrative autonomy or "bantustanisation", as the nationalist right advocated in the past, and which Palestinians logically reject. The weight of demography—the Palestinians living in the territories plus the nearly one million "Israeli Arabs"—would lead Israel to become a de facto binational state that Palestinians once called for and which is incompatible with the current essence of Israel.

This is also important from the point of view of finding a solution to the problem of Palestinian refugees. Israel flatly reflects the "right of return" to what is now Israeli territory of those who left in the 1948 war. It maintains that the Arab countries should take them in, though it does not object, in principle, to at least part of them returning to the future Palestinian State. The Palestinians claim this right on the basis of the related United Nations resolutions, particularly 194, 237 and 242. But the capacity of this state to take in refugees will depend on the final land settlement and resources that result from the negotiations with Israel, that is, the percen-

tage of land and the number and distribution of Jewish settlements and access corridors that Israel wants to be incorporated definitively into the state of Israel or keep in some areas as a security component for a specified period. It remains to be seen whether the alternative of economic compensation along the lines established some time ago by the UN is feasible. Although Israel has not closed its doors to contributing to this option, it has always implied that it would counter any claim for reparations for the assets that the Palestinian refugees left behind in Israel by claiming compensation itself for the assets belonging to the Jews who were forced to flee from the Arab countries on account of the war. In other words, it is assumed that if there is to be any compensation for the Palestinian refugees or resettlement aid, whether in the new Palestinian state or elsewhere, the cost would mainly have to be financed by the Arab countries or international donors.

Recent polls show that 72% of refugees do not accept the solution of compensation, though 82% recognise that they do not have sufficient international support to be able to return. At the same time, the future Palestinian state, which is already overpopulated in the Gaza area, would hardly be able to take in a large percentage of refugees, including those who abandoned the occupied territories in 1967. In addition, a mass influx of refugees could upset substantially the Palestinians' delicate internal political balance, as many do not appear to be great enthusiasts of Mr Arafat's line of politics and "leadership of the territories", and are active members of more radical political or religious movements (PLFP, DFLP, Hamas, Jihad, etc).

It is unlikely that the majority of refugees will choose to return to Palestinian territory, just as several million Jews have not made their *aliyah* to Israel. However, for reasons of principle, it is important to leave the option open for at least a minority of Palestinian refugees to return to their homeland in the future Palestinian state or have the possibility of doing so.

In this connection, we should be particularly aware of the problem posed by the Palestinians in the Lebanese refugee camps who, according to sources, total between 300,000 and 350,000. Some come from the wave that fled from Israeli territory during the 1948 war, others were driven from Jordan during the events of the so-called "Black September" of 1970. Unlike other refugees, they are a problem that requires not only an economic solution but a political and population-transfer arrangement, since Lebanon, for the time being, categorically refuses to allow them to

settle permanently in its territory, for fear they will upset its delicate internal balance that was restored in 1990 through the Taef agreements, which consolidated the Shiites' current majority and re-established peace following the civil war. Lebanon therefore regards the refugee issue as a condition for its peace with Israel, while the latter objects to their returning to, or settling in, its territory. At the same time, the possibility of their being taken in by the future Palestinian State will probably come up against opposition from Israel, for security reasons.

This issue has caused relations between Lebanese and Palestinians to deteriorate considerably over the year, particularly after Lebanese courts sentenced Mr Arafat's chief representative in Lebanon, Colonel Sultan Abul Aynain, to death by default. The colonel, confined to one of the camps, was promoted to general by the Palestinian leader—a move which some have taken to be defiance of Beirut's stance. The Lebanese authorities fenced in the camps as from 14 November, leading to heated discussions with Mr Arafat, who has taken the matter to the Arab League. For some months now the Fatah and the PLO have been pursuing a policy of trying to seize political and military control of the camps in order to counter or undermine the powerful presence and activities of the Palestinian movements of the "rejection front" (PFLP, PFLP-GC and DFLP). They aim to prevent the latter from exercising a negative influence on the bilateral negotiations, with acts of violence by uncontrolled groups that allow Israel to accuse the PNA of failing to keep its promise to guarantee Israel's security. This action has rekindled Lebanese fears and revived the spectre of a Palestinian state in Lebanon, as occurred when civil war broke out in the country in 1975. It is something that all the Lebanese religious communities and their representatives seem to agree on, and presumably has the blessing of Syria, as otherwise Beirut's position would be hard to understand.

In short, everything seems to indicate that the refugee-camp "crisis" reflects the manoeuvres of the different sides to find what strings they can pull in the negotiations and points to the interactive and global nature that the MEPP has turned out to have.

Returning to the Israeli-Palestinian negotiations, there seems to be a majority consensus among Israelis about the following bases for the final agreement: 1) Not to return to the 1967 borders, keeping a percentage of territory (30-40% of the West Bank) for security reasons and for the settlements that have to be preserved, in three main blocks; 2) Offer the

Palestinian population living in the territory that is incorporated into Israel and the Israeli settlers in the rest of the Palestinian territory the option of staying or emigrating; 3) An "imaginative" solution "for Jerusalem" (along the lines mentioned earlier), perhaps with a provisional status and Palestinian relinquishment of the return of refugees to Israel, with compensation for lost assets and support for mechanisms that help them settle permanently in other places or in the new Palestinian State; 4) The Palestinian state would be demilitarised and could not sign agreements with countries that are hostile to Israel; 5) No foreign army will be stationed west of Jordan.

In his letter urging Mr Arafat to postpone proclaiming a Palestinian state, President Clinton promised to promote a tripartite summit at the end of 1999 to give a boost to final status talks and to endeavour to get them to finalise within a year. He kept his promise and the Oslo meeting on 2 November, though not very substantial in content, has spurred the process on. The Secretary of State Mrs Albright is planning a tour of the region early in December, with the aim of giving fresh impetus to the peace process so as to encourage Israeli-Palestinian negotiations and try to break the deadlock on the Syrian and Lebanese tracks. If things go well, we might expect another high-level meeting in Washington when the framework agreement is ready for the substantive negotiations on the delicate issues relating to final status—to be finalised by 13 February 2000, according to the Sharm-el-Sheikh agreement. This will be the first important milestone, from the point of view of getting respective opinions to accept it, and international support may be decisive in this connection. Although Mr Barak has stated his preference for strictly bilateral negotiations, the US and the EU will continue to play the part of "facilitators", and will probably become increasingly involved. This need has become evident in the past and will foreseeably be maintained in the future.

At the time of conducting this analysis, Israeli-Palestinian negotiations on the implementation of the outstanding commitments of the interim agreement are progressing in fits and starts. Commitments such as the release of prisoners and the opening of the southern route of the "safe passage" have been carried out, but others have yet to be implemented. For the time being, the implementation of the second Israeli redeployment from the territories (5%) laid down in the Sharm-el-Sheikh agreement has had to be postponed owing to disagreement over what areas should be included. Whereas Israel maintains that it is entitled to define them unilaterally, the Palestinians want this percentage to include areas adjacent to

Jerusalem—Abu Dis, Al Ram and Essariya—and parts of the Ramallah-Nablus-Jenin corridor. They are worried that what is done now will set a precedent to their disadvantage for the third redeployment. In addition, the north route of the "safe passage" has yet to be agreed.

The final status negotiations, resumed on 14 November, are still at the initial stage of setting the agenda and procedure for negotiations. Considerable progress will have been made by now, though the questions of substance weigh heavily and things will get more difficult when the sides start to go into detail and the first serious differences come to light as regards interpretation. One of these continues to be the interpretation of Security Council resolution 242 and the principle of peace for land. The controversy arose when Prime Minister Barak made some unclear statements implying that it did not apply to the West Bank. For their part, the Palestinians are deeply aware that it will not be possible to return to the 1967 borders, though they feel that the latter should be the initial reference point for negotiating rectification. Moreover, this modification cannot call into question the feasibility of the future Palestinian state. In other words, rectification, yes, but not Israeli unilateral annexation of large percentages of over 30%, as Israel has toyed with at times.

The most conflictive point is the policy Israel continues to pursue with respect to settlements; the Palestinians consider that unless this basic problem is solved, no progress can be expected to made in final status negotiations. They claim that, in addition to evidencing Israel's failure to recognise their right to exist as a people, it prevents the Palestine National Authority (PNA) from planning its economy and development. Another negative consideration from the Palestinians' point of view is what they believe to be a deliberate Israeli policy to isolate the north and the south of the West Bank, increasing their presence in Jerusalem and severing the city's link with Bethlehem.

SYRIAN AND LEBANESE TRACKS

At the beginning of 1999 the Syrian and Lebanese tracks remained at a standstill and the moves to activate them by different international players were to no avail. Syria upheld its traditional position, demanding unconditional withdrawal from the occupied territories and that the Wye negotiations with the Labour party should be resumed where they were supposedly broken off. Meanwhile, tension again mounted in South Lebanon, and

the Hizbollah intensified its attacks against Israeli forces and their South Lebanon Army allies. This was to become a central element of the Israeli electoral campaign. The Labour leader, Mr Barak, stated that if he won the elections he would withdraw Israeli troops from Lebanon within a year.

When Mr Barak became prime minister, Syria immediately reacted positively and the Syrian regime made conciliatory gestures, starting with the declarations of President Assad and the suggestions of Vice-President Khadam to the Palestinian radical groups in Damascus, whom he urged to adopt a less belligerent position. After several months of uncertainty, expectations and contacts, the Washington meeting between President Clinton and the Syrian foreign affairs minister, Mr Al-Shaara, on 29 September, coinciding with the latter's attendance of the United Nations General Assembly, confirmed America's role of promoter of the Middle East peace process and the Syrian-Israeli track.

The signing of the Sharm-el-Sheikh agreement by Palestinians and Israelis, and the subsequent positive course that this track seemed to be taking, pointed even more to the need to give a boost to the Syrian-Lebanese track, which is more difficult to relaunch.

It furthermore became apparent that America was convinced that, given the circumstances, the only feasible answer was to take a comprehensive approach to the peace process, addressing the different "tracks" simultaneously. Washington seemed willing to commit itself to designing possible solutions, particularly regarding security arrangements, in order to enable the sides to resume talks, as wished, and maintain and develop them steadily, taking the necessary precautions, since any interruption, once they had begun, would be even more counterproductive.

Speaking in New York at the United Nations General Assembly and in her address on 24 September at the Center for Middle East Peace and Economic Cooperation, as well as at the Conference of Presidents of Major American Jewish Organizations on 28 September, Mrs Albright said that Syria sincerely wished to resume negotiations, pointing out that the United States would not involve itself in such an effort if it did not consider than progress was possible. She likewise stated that President Clinton would personally endeavour to push the Syrian-Israeli track forward. This coincided with the confirmation by the Israeli foreign minister, Mr Levy, that the United States was indeed promoting an initiative aimed at organising a bilateral meeting between Syrians and Israelis that would enable them to announce the achievement of concrete progress.

America's idea seemed to be aimed at resuming Syrian-Israeli talks with a frame of reference that included: the general principle of Israel's commitment to withdrawing from Golan; the withdrawal of the Israeli army in phases, by means of the appropriate security agreements, with a broad participation of the US—and possible presence of other players; the start of a new Syrian attitude towards Israel, including aspects such as non-belligerence and a firm commitment towards the future normalisation of bilateral relations, with some tangible gesture to this effect, and perhaps some kind of visible presence; and Israeli withdrawal from the south of Lebanon, an issue that was to be merely a complement to the main Syrian-Israeli scheme.

According to this line of thought, once an agreement is reached on the general principles, a bilateral meeting could be held between Israel and Syria, at ministerial level at least, to endorse a sort of "declaration of principles", that is, an outline similar to the one promoted with the Palestinians. This outline would serve as a framework for the negotiations and would merge the two aspects of the problem, the bilateral issues and the broader perspective of the peace process as a whole in the region, and would ensure the acceptability of what was agreed from each respective internal point of view, so as not to damage stability, particularly in the case of Syria and with a view to the future of the regime.

But despite the tokens of good will and the contacts, the situation at the time of writing this paper remains at a standstill. It might be said that what initially looked like Syrian willingness to speed up the process, even for internal reasons of future succession, has turned into a strategy of giving it time. The logic of this strategy seems to lie in the fact that time puts more pressure on Israel, as Mr Barak needs to translate his electoral promises into concrete achievements within the established periods, and the case of the Clinton Administration, which faces elections at home in 2000, is similar. At present, these two pressure elements will be reflected in tougher stances in the negotiations, as there is still sufficient time. However, the nearer the deadlines, the readier they are expected to be to clinch a deal. All in all, the struggle no doubt continues behind the scenes and through intermediaries. What Syria does seem to be clear about is that it will not sit down to formal negotiations unless the essential parameters have previously been outlined and accepted to the satisfaction of both sides, since President Assad does not want to be harassed by international pressure afterwards or have to make concessions that discredit him. President Assad—and his track record bears this out—wants to go down

in history as the person responsible for restoring Syria's territorial integrity and its regional consolidation, in the manner of Arab saintliness inspired by Mr Nasser, and without having to face the risks that Mr Sadat was forced to run.

As for Lebanon, it is perhaps the weakest party in the peace process: on account of its symbiosis-dependence on Damascus, which has come to exercise a "guardianship"—political, military and economic, with a demographic presence—over the country as an area of influence which it does not seem willing to relinquish in the future, and which conceals the concept of the "great Syria"; owing to the dominant proximity of Israel, particularly in military aspects, and its occupation of the "security zone", and the consequent differences in negotiating capacity; and because of the key internal problem posed by the presence of Palestinian refugees in its territory, as mentioned earlier.

The Lebanese are therefore aware that they have little independent say in negotiations and that their future in the peace process inevitably entails Damascus's giving the go-ahead to any understanding with Israel, which in turn depends on what Damascus agrees with Tel Aviv. This situation of dependence on Damascus, to which the Lebanese have accustomed themselves, with the tacit assent of Arabs and westerners alike, has led the Israelis to regard the Lebanese track of the peace process as an appendage of the Syrian track, with Damascus being the key point of the negotiation.

Lebanon's same firm stance of applying unconditionally resolution 425 of the UN Security Council (Israeli unconditional withdrawal) without linking it to 426 (which speaks of indirect negotiations through UNIFIL), has led to this and to Israel's idea of even withdrawing its presence unilaterally from the south of Lebanon, provided that its security needs are safeguarded. Israel has always maintained that it has no territorial claims over Lebanon and that, if this security condition is met, it accepts the 1948 international border, that is, the one inherited from the British mandate.

The Israelis seem to combine their categorical military responses to the Lebanese attacks they suffer in the security area or at their northern border (denying the premise insistently defended by Beirut of its right to put up armed guerrilla resistance in territory occupied by Israel in order to recover it) with pressuring Damascus to persuade the Lebanese to put an end to the situation. For their part, the Lebanese suspect that compensation for Syria's concessions to Israel will come at Lebanon's cost. This

goes hand in hand with the idea that if they do not accept the negotiating terms proposed by Israel and backed by the United States, they will find themselves in the dilemma of being accused by world public opinion of obstructing peace in the Middle East.

In the framework of negotiations on a peace treaty with Syria and Lebanon, or perhaps as a step towards such an accord, the possibility is envisaged of a prior agreement on Israeli withdrawal from the "security zone" in South Lebanon. According to some sources, contacts have taken place in which Israel has put forward such a scheme through US and French good offices.

This approach envisaions Israeli redeployment in stages, within the one-year period envisaged by Mr Barak and with the presence of neutral troops under the United Nations, perhaps from the two aforementioned countries. These contingents would deploy in the evacuated zones and nearby areas, together with Lebanese and Syrian troops, as an interposition force guaranteeing the security of the Israeli border and preventing conflicts between the different Lebanese factions. In this connection, Israel is concerned about guaranteeing the security of the members of the South Lebanon Army (SLA)—pro-Israel militias of the "security zone"—who choose to become reintegrated into Lebanon as opposed to settling in Israel, as also envisaged. At the same time, the Lebanese authorities should undertake to prevent Hizbollah and other sources of resistance from continuing with their armed struggle against the Israelis after the latter withdraw from the "security zone".

MULTILATERAL TRACK

The multilateral track of the MEPP is central to normalising Israel's relations with the Arab countries as a whole, and like the Barcelona process, it is aimed at building the future. The usefulness of the multilateral track, in addition to the intrinsic importance for the whole of the region of the issues entrusted to the different working groups, can and should lie in creating confidence-building measures and its role as a forum for supporting bilateral negotiations, even though these are different spheres and should remain separate.

From the time of its establishment until 1996 it was able to serve its purpose, with the absence of Syrians and Lebanese, while progress was made in the bilateral tracks. The last meeting of the Monitoring Committee

and the Plenary Meeting took place on 7 and 8 May 1996 in Amman. Following the Arab League's decision on 30 and 31 March 1997 not to take part in the multilateral track, it came to a standstill. However, this decision did not affect all the working groups in the same way (weapons control and regional security, water, environment and refugees). The refugees group has continued to meet on an informal basis. The water group has carried on with its meetings of technical groups, as has the environment group. The regional security group is totally deadlocked. Even so, the Amman-based Secretariat has continued with its token activity and internal organisation.

The Egyptians and Palestinians want relaunch to be conditional on some advance in the bilateral tracks. However, they do not object to low-level informal preparations being made. The Syrians and Lebanese are opposed to activating this track unless more decisive headway is made in bilateral negotiation.

THE ROLE OF THE EUROPEAN UNION

The European Union continues with its considerable work to foster the peace process, through its international political action near the sides, through third parties and at other levels, including the Barcelona process and particularly through its Special Envoy for the Middle East (EUSE) Ambassador Moratinos. It has supported the bilateral and multilateral tracks and the development and funding of many co-operation programmes, especially those aimed at the Palestinians. These programmes include both welfare projects and schemes to build and develop structures to ensure a feasible future.

Some noteworthy aspects of this action are: deepening contacts with the US, for example, in preparation for the Oslo meeting; continuing the EU Permanent Security Committee/Palestinian meetings and material support for organising its security and anti-terrorist services; continuing EU participation in the working groups of the multilateral track and relaunch support; and possible assistance to the sides in addressing issues such as water and refugees bilaterally; continuation of the EU/Israeli dialogue with the Palestinians on economic issues relating to the interim period (safe passage, airport and Gaza seaport); the carrying out of analyses for a new economic concept for the region; support for the strengthening of Palestinian institutions; and support for the "people-to-people" programmes, establishing an EU/Israel forum.

This latter initiative stems from the long-standing conviction, reaffirmed in the EUSE's contacts, that it is necessary to improve the Israeli public's perception of the EU and also their attitude towards Israel and the peace process, which for years has been marked by a culture of mistrust. Although this culture has slowly been changing as Israel's own internal environment has evolved, it continues to thrive on past facts—anti-Semitism, holocaust, etc.—and also stems from established practices of political exploitation linked to the dialectic of the Arab-Israeli conflict: only the US is Israel's trusty friend and defender and, as such, the only acceptable mediator or facilitator; Europe does not meet those conditions, as it has a pro-Arab bias and is sensitive to its dependence on the world, has a lingering anti-Semitism and lacks the coherence and means to develop a weighty foreign policy that would enable it to act as a real and global power in the area. Indeed, what Israel finds suspicious about Europe is the more neutral stance that is has in common with the feelings of the international community with respect to the conflict, and its balancing role vis-à-vis the inequality between the sides.

THE FUTURE OF JERUSALEM AND THE INTERESTS OF THE INTERNATIONAL COMMUNITY

I do not wish to end these thoughts on the MEPP without a mention, albeit expository, of the crucial issue of Jerusalem's future. This is undoubtedly a particularly sensitive issue that is important for bringing the process to a successful completion, bearing in mind what it means to the two sides directly involved and its universal, cultural and religious significance. Indeed, a just solution for Jerusalem has become a necessary condition for a just and lasting solution to the Arab-Israeli conflict and to peace in the Middle East.

Jerusalem has two different yet closely linked dimensions that need to be taken into account: its political and territorial future, including the issue of sovereignty; and the cultural and religious aspect. The former affects Israelis and Palestinians and its solution should be agreed on between the two sides, in the framework of the final status negotiations and in accordance with the principles of the peace process defined at the Madrid Conference, in the Oslo Interim Agreements and in related international law. The second affects the international community as a whole.

This implies that whichever of the side or sides that exercises sovereignty or jurisdiction over Jerusalem in the future must respect the plural identity and universal nature of the city in order to preserve its unique nature of sacred city for the three great monotheistic religions. In addition, the question of the holy places cannot be dissociated from the question of Jerusalem as a whole. The parties to any interim or permanent agreement on the political and territorial aspect must bear in mind the interests and appeals of the international community in order that, in accordance with its historical background, the current status quo is respected on the exercise of religious rights in Jerusalem. That way the city's broadest cultural and religious dimension will be safeguarded (status quo in the broadest sense).

Some currents of opinion on both sides and of Judaism and Islam, which have not yet "deterritorialised" Jerusalem as Christian thought did long ago, show a tendency to encompass both dimensions, cultural and religious. However, separating as far as possible the two aforementioned dimensions and developing a broad consensus between the two sides and at international level on the principles and main issues of the cultural and religious dimension could help create a better climate for bilateral negotiations on the political and territorial future of the city. This consensus on the cultural and religious status of Jerusalem should be endorsed and guaranteed by the sides and by the international community—and there are various possibilities and suitable instruments for this purpose—in order to avert future tension or the emergence of conflicts that could undermine any peace agreement.

The logic of this approach is furthermore found in the doctrine on Jerusalem established during the age of the agreements reached with the Ottoman Empire, in treaties such as the 1885 Berlin Treaty and in those that ended the first world war, the League of Nations covenant, that of the British Mandate of Palestine (arts. 13,14 and 15), the United Nations charter and UNESCO, which lists it as a world heritage site. Although the international community has ruled out the initial forecast of a provisional international status for the city—the Carpas Separatum laid down in Resolution 181 (27 November 1947)—designed to safeguard this universal dimension and ward off the foreseeable conflict that could arise in this connection between the sides, the principles that inspired it remain valid and are today linked to the Human Rights and Fundamental Freedoms of which freedom of religion is a part.

An agreement on Jerusalem that safeguards and guarantees that cultural and religious dimension can also constitute an important precedent and a frame of reference that could be extended to other holy sites in the area, preventing tensions and conflicts such as the dispute that has arisen in Nazareth over the Basilica of the Nativity in connection with the construction of a mosque nearby.

Lastly, it should be remembered that this approach is in keeping with the general objectives of Chapter III of the Euro-Mediterranean Declaration of Barcelona—to develop understanding between cultures and civilisations, including the deepening of dialogue between religions, the antithesis of visions, which, like Huntingdon's, foresee the inevitable clash of civilisations. A solution that ensures that the cultural and religious dimension of Jerusalem belongs to and benefits everyone will help prevent this catastrophic scenario ever becoming a reality.

THE MAGHREB. SUBREGIONAL CONFLICTS. THE ARAB MAGHREB UNION.

The core of the Maghreb is comprised of Morocco, Algeria and Tunisia, and subsequently Libya and Mauritania, countries of transition in the south and in the east. More recently Egypt, an Arab country with deep African roots that aims to be a link between the Maghreb and the Mashriq—to which it rightly belongs—has expressed somewhat insistently its wish to join the project of the Arab Maghreb Union (AMU). Such an aim nonetheless raises doubts about its coherence and it should be understood as a desire to strengthen political and economic links with that subregion, with which it has other circumstances in common, such as membership of the Organisation for African Unity (OAU).

In the wake of the independence process and its immediate political consequences for relations between the Maghreb countries, ideological differences and the struggle for national interests ended up putting a damper on the initial unitary impetus of the Great Maghreb. Morocco's claims on Mauritania and the Sahara, which were later focused on the latter and, in both cases, challenged by Algeria, are part of a wider dispute between Algeria and Morocco and their vying for political leadership of the Maghreb and projection of this towards the Subsahelian strip.

The pace of development of the Marrakech Treaty (17 February 1989), which provides the basis for the project of the Arab Maghreb Union (AMU),

has reflected the subsequent course of intra-Maghreb relations. From July 1990 to April 1994 a series of Council meetings were held and many resolutions were drawn up, most of which did not ever come into effect. The initial hope and excitement that characterised the Moroccan presidency was followed by a period of institutional consolidation under Tunisia. The subsequent Algerian presidency placed the emphasis on developing economic co-operation with a view to creating a free trade zone by the end of 1992, achieving a customs union by 1995, a common market by 2000 and the long-term objective of an economic union of countries. Libya's contribution was to be pan-Arabist voluntarism. Despite the close convergence in national economic policies of reform and structural adjustment, which should provide a basis for the development of regional co-operation and increased trade, the weight of the political factors, Algeria's internal situation and Libya's international isolation continued to enervate the process.

More recent events, as stated earlier, seemed to herald a renewed climate of rapprochement and understanding: the advent of Abdelaziz Bouteflika as Algeria's president, having consolidated his democratic legitimacy in the result of the subsequent referendum on National Concord; the positive course of events in Morocco after King Hassan II was succeeded by his son King Mohammed VI, who will no doubt bring a breath of fresh air to the Maghreb; and the normalisation of Libya's international situation. However, this greater initial optimism has now given way to a prevailing impression that the relaunch will take place be step by step, and that it will take time to settle the underlying difference in the bilateral relations between member states and their national interests. The biggest problem of substance continues to be relations between Morocco and Algeria, the backdrop to which is the Saharan issue.

In any event, the overall climate has changed and is more favourable to a relaunch of the AMU, if its members manage to settle their differences. The European Union will continue to be its benchmark, and the Euro-Mediterranean process as a whole may be slow but difficult to reverse. This necessarily entails subregional convergence. We should also add that the development of Maghreb co-operation should in turn help this subregional cohesion to project itself into the sphere of these countries' participation in the Arab, African and international organisations and institutions to which they belong, thus enhancing their role. Otherwise, as witnessed in the past, if they bring with them their rivalries, they could cause a negative chain reaction. The most recent data in this connection is the difficulties that arise in connection with the Europe-OAU summit

scheduled for 2000, stemming from possible participation of the Sahara with the status of the Sahrawi Arab Democratic Republic (SADR) in the African organisation. Morocco opposes any form of Saharan institutional presence at the summit and makes its participation conditional on this.

If we look at the Maghreb from the aforementioned perspectives and convictions, and if the Maghrebis themselves do so, the unsettled conflicts and differences in the subregion can take on another dimension, with a framework and environment that is more conducive to their resolution, by looking to the future. This broader view will enable them to overcome the difficulties inherent in merely bilateral or national approaches, which are constrained by the weight of the past or the realities of the present. Thus, the joint communiqué issued at the end of the Moroccan prime minister's visit to Libya to celebrate the 4th Joint High Commission, during which several co-operation agreements were signed, reaffirms the necessity of the AMU.

Morocco and Algeria, the two main Maghrebi players on account of their national weight and because they are located in the centre of the subregional arc, face the difficult challenge and responsibility—but also the significant role—of acting as promoters of the building of the Maghreb. Their understanding and supportive co-operation is a key to the stability and future of the whole region. The future of the Maghreb does not lie in separation or division, but in progressive union, respecting the identity of each country. Their greater coherence, if compared to the complexity of the Middle East, should enable the Maghreb to serve as a precedent and an example of Euro-Mediterranean subregional co-operation.

The 15th Meeting of the Monitoring Committee was held on 16 and 17 May. The initiative sprang from the meeting of Maghrebi ministers held in the margins of the Stuttgart Euro-Mediterranean Conference. The Algiers meeting focused on assessing and clarifying the current situation of the organisation and studying the possibility of establishing a timetable of meetings and of a series of measures that may lead, later on, to a meeting of foreign ministers and, eventually, a future summit of heads of state.

A specific event which should be given its relative importance was Mauritania's decision to establish relations with Israel at ambassador level. With the mediation of the United States, this materialised into the signing of the related agreement by both countries' ministers in Washington on 28 October. It is the third Arab country to establish such relations, together with Egypt and Jordan, after the latter signed their respective peace

accords with Israel. This fact must be considered bearing in mind what was convenient for both countries and the Israeli-American effort to boost normalisation between Israel and the Arab countries. It is not new and signs of rapprochement with others, such as Morocco, Tunisia and Oman, were seen earlier amid the heat of the Oslo agreements. The start of the rapprochement with Mauritania was the result of Spain's mediation at the Barcelona Euro-Mediterranean Conference. Later, when the peace process was at a standstill, the Arab countries took the opposite stance, as they considered that Israel should not achieve ahead of time what should be the price of peace. Now that the peace process is witnessing a better climate, the idea of normalisation has been reawakened. However, we should ask whether haste in achieving this progress will not bring negative consequences. The peace process is far from becoming consolidated and Mauritania's decision tends to clash with the stance of the group of Arab countries as a whole. The reactions of Syria and Libya, for example, have not indeed been positive, and neither will many Arab opinions. The fact can complicate relations between the Maghreb countries and have a political influence on the prospects of the relaunch of the Arab Maghreb Union.

There is no doubt nowadays that Spain and the Maghreb are part of a shared historical and geographic reality. Over the centuries Spain has lived through different periods and cycles in its relations with the Maghreb region. Many of them beset by clashes and plagued with misunderstandings, but things have changed. Our historic polarisation in the Maghreb has lost its exclusive nature, but it has improved substantially in substance.

Recent years have witnessed a radical change in the philosophy of our relations with the Maghreb. Both sides have understood and accepted the need to rethink their ideas and face the future with a different approach and without prejudices. The new framework of relations should be developed in the consolidation of mutual trust and complementarity. In this connection, a growing web of mutual interests has been taking shape and should stimulate convergence on all planes and avoid or reduce the underlying differences that remain or the possible vicissitudes of any complex event, such as the Euro-Mediterranean scenario. From that viewpoint Spain has acted determinedly as the promoter and catalyst of a new Euro-Maghreb dynamic in the Euro-Mediterranean framework, at both bilateral and multilateral level, while strengthening its bilateral relations and providing continued support to settling the issue of the Sahara and the United Nations Settlement Plan.

THE SAHARA ISSUE

After the sides accepted the amended protocols on identification and appeals and the operational guidelines sent to them by the United Nations secretary-general (UNSG) on 26 April, a timetable was envisaged. The stages were to be: 1) 30 November for completing identification, publication of the second and last part of the provisional electoral roll, and establishment of the Referendum Commission; 2) 28 February 2000, deadline for appeals; 3) 6 March 2000, beginning of the transition period, publication of the electoral roll and start of repatriation of refugees; 4) 10 June 2000, end of repatriation and beginning of the referendum campaign; 5) 31 July 2000, holding of the election.

The death of Hassan II and the ascension to the throne of Mohammed VI, who stated in his first addresses that he would continue on the road to the culmination of Morocco's territorial integrity and reaffirmed his commitment to holding a referendum "confirming that the Sahara is Moroccan", does not suggest there will be any radical changes in Morocco's position, though this does not mean to say that there will not be greater openness. At the same time, the question arose of whether a relaunch of relations between Morocco and Algeria could help persuade the latter to adopt a more flexible attitude.

The fact is that in the past few months the UN Settlement Plan for the Western Sahara has been coming up against various difficulties that are not unrelated, among other factors, to the large number of appeals lodged against the inclusion in, or exclusion of, voters from the provisional census in the future referendum. The latest report by the UN secretary-general (UNSG), dated 28 October 1999, on the situation of the Settlement Plan, states that 79,125 appeals have been lodged. This will make it necessary to reconsider the provisional timetable, postponing the referendum from 1 to 3 years. On the one hand, after identifying the 65,000 individuals from the controversial tribes, the appeals will have to be processed; and on the other, it is necessary to bear in mind the difficulties that are bound to emerge in the remaining stages of the Plan.

It is therefore not surprising that ideas should have been put forward of finding alternative solutions to the referendum envisaged in the UN Settlement Plan. These alternatives, based on negotiation between the sides and holding a plebiscite on the results, are beginning to be called the "third way". However, the Polisario Front (FP) opposes such solutions as it con-

siders that only a referendum constitutes a solution based on the democratic exercise of the right to self-determination.

Morocco appears to be considering a new political-administrative concept for its regional structure that would fit in with a wider autonomy of the Sahara, agreeing on political decisions by consensus with the Saharan population. This seems to be the perspective from which the Royal Commission for the Sahara was set up in September. Is it possible for Morocco and the Polisario to seek and reach an understanding on the basis of an alternative that, based on respect for the wishes of the Saharans, goes beyond simple administrative autonomy but not as far as an independent state? Is it possible to revive ideas of "associated state" like Puerto Rico, or personal union under the Moroccan monarch, similar to the British Commonwealth? Personal union could command not only political but also religious support since the Moroccan sovereign, who has in the past exercised historical influence over relations between the Kingdom of Morocco *(Bled es Majzen)* and the adjacent territories *(Bled es Siba)*, also has the status of *Amir Al Muminin*. Would Algeria, which has stated its willingness to accept whatever the parties agree, facilitate a development of this kind? Is it feasible to think that the future development of the AMU will serve as a framework for regional associative formulas with a supranational approach that mitigates the conflict and places it in a new context?

THE AEGEAN, TURKEY AND GREECE, THE QUESTION OF CYPRUS. THE CASPIAN ENERGY AXIS

Turkey retains it particular geostrategic importance in the new world scene that has emerged in the wake of the cold war and will continue to be an essential link in regional policy for many reasons: its role in NATO; Ankara's importance when planning to distribute energy resources from the Caspian; its important position with regard to stability in the Balkans and the eastern Mediterranean, as well as in its relations with the Arab and Islamic worlds and because of its closeness to Russia; its strengthened relations with Israel in the framework of future pacification of the Middle East; its status of neighbour and role in regional issues, such as those raised by the future of Iran and Iraq. Moreover, Turkey and the United States also concur broadly in their points of view on regional matters, and this strengthens the "enhanced partnership" between them. On the contrary, an unstable Turkey implies an unstable Eurasia and, therefore, a source of conflicts with a potentially global impact.

As for relations between Israel and Turkey, both are key countries for the future of the region in the 21st century on account of their geostrategic importance in security matters and their capacity to project multidirectional strategies in East-West and North-South relations. The military agreement —the existence of which was made public in December 1995—which both maintained was "open to third parties" did not fail to trigger sensitivities in the Arab world, particularly Syria. Jordan seemed encouraged to join this framework, which appeared to have Washington's blessing, but it was finally forced to refrain from doing so, despite its good relations with both parties.

Turkey's relations with Syria have improved substantially now that Damascus is showing a more constructive attitude towards the terrorist issue, but the differences are deep-rooted and will foreseeably take some time to fade. On the economic front, Syria has an interest in developing relations, particularly with respect to water, and enhancing the agreement signed by the two countries in 1987 allowing Turkey to double its use of the Euphrates source to as much as 1000m3 per second.

An important development during the course of 1999 was the establishment of the Graeco-Turkish dialogue at foreign minister level (Cem-Papandreu). The first two sessions gave rise to a more positive climate and both parties have reaffirmed their wish to continue making such progress in order to settle the bilateral problems over the Aegean on the basis of dialogue and negotiation. In this connection, it should be pointed out that the Greek minister visited Istanbul at the beginning of September to take part in the Taksim forum of the university and held another meeting with his Turkish colleague.

As for relations with Europe, following Turkey's disappointment at the Luxembourg European Council (12-13 December 1997), which decided not to include the country on the list of first-wave candidates for accession to the European Union, no significant developments occurred until the European Union General Affairs Council decided to invite the Turkish foreign minister to a council meeting on 14 September 1999. The positive development of this meeting was to mark a change of tone, together with the financial aid package approved from EU funds following the Izmit earthquake. This led to the prudent hope that the Helsinki Council at the end of the year would signify a new stage and formal recognition of Turkey's candidature to accession, in exchange for a commitment to speed up internal reforms in order to meet the requirements of Copenhagen and the Amsterdam Treaty.

The Turkish government has showed its concern about the country's economic deterioration, worsened by the disastrous effects of the Izmit earthquake. The European Union responded to this situation with a substantial aid package that the Turkish authorities appreciate. The second earthquake at Duzce on 13 November is an additional burden. Over the course of the year Turkish exports to Russia and Asia have fallen by 30% and 43% respectively and even its trade with the United States (which amounted to $6.3bn in 1997) slid by an alarming 29% in the first half of 1999. The Turkish government is therefore trying to improve relations with the United States, by means of an agreement to establish "industrial zones" which would grant Turkish-made products access to the North American market, duty free, similar to the arrangement the US has with Israel and Jordan.

President Clinton's visit to Turkey during the three days before the OSCE summit in Istanbul (18-19 November) took place in the framework of America's wish—expressed by its spokesmen and by the Turkish commentators—to consolidate the "special relationship" with Ankara and to secure Turkish support for its strategy for the region. In this connection, Turkey plays a valuable role in seeking a new balance in the Balkans, the Caucasus and Central Asia based on settling local conflicts, strengthening the political autonomy and economic feasibility of the new countries, ensuring that the region's energy resources are transported via Turkey. This entails finding a dynamic and multidimensional role for Turkey, as a model of secular democracy and market economy vis-à-vis the Islamic world, acting as a bridge between Europe and the latter. This logically requires Turkey to resolve its problems with Greece and Cyprus, deepen its democratic reforms and join the European Union.

It is in this context of developing relations that the official visit of Prime Minister Ecevit to Russia (5-6 November 1999) should be understood. The aspect that was most highlighted by the media was the signing of a joint declaration on co-operation in combating terrorism. By contrast, the signing of a protocol to boost the project to build the "Blue stream" gas pipeline, which runs between the two countries across the Black Sea, has been postponed until the Russian Duma ratifies the bilateral treaties on double taxation and mutual protection and promotion of investments. This might also be due to pressure from the US and Azerbaijan and Turkmenistan, as the pipeline would carry Russian and also possibly Azeri natural gas. The Turkish authorities—President Demirel and energy minister Mr Ersumer, in their declarations—have stressed their wish to ensure a

variety of energy suppliers. It should not be forgotten that Russia is Turkey's second biggest trading partner after the European Union and considerably ahead of the United States. It is also its main energy supplier. Furthermore, Mr Ecevit's visit will have enabled a smooth political dialogue to be established in what is a complex regional environment for both countries owing to the destabilising potential of the events in the Caucasus and the negotiations on future energy routes in the Caspian.

The signing of the agreement for the building of the Baku-Ceyhan oil pipeline at the OSCE summit and the letter of intent regarding the Transcaspian gas pipeline marked a major step in establishing the future regional framework for the extraction and export of these resources. The US administration—President Clinton attended, accompanied by the energy secretary Mr Richardson—had been backing them strongly, convinced that they are the best options, for political, economic and environmental reasons.

The energy secretary, Mr Richardson, has stated that the importance of the agreements lies in the fact that they enhance the security of western energy supplies, create a communication link between the West and Central Asia, will multiply opportunities for the region's social and economic development and ease the congestion of oil traffic in the Bosphorus area, as well as increasing business opportunities for American companies.

This is the crowning achievement of a process that has been negotiated since 1994 when Azerbaijan signed a co-operation agreement with the Azeri International Cooperation Company, a consortium of which the US companies Exxon, Unocal and Pennzoil are part. These companies decided to build two oil pipelines to transport oil from Azerbaijan, one to the Russian part of the Black Sea in Novorossik, and the other to Supsa in Georgia. Work on the Supsa pipeline began in April and it is now operating at full capacity (115,000 barrels per day), whereas the Novorossik pipeline is currently closed owing to events in Chechnya. In 1996 an agreement was reached to set up a consortium for the Caspian oil pipeline to run from Kazakhstan to the eastern part of the Caspian, in Novorossik, and this is currently being built. In 1998 the US Trade and Development Agency, the Export-Import Bank and OPIC founded a financing centre in Ankara to encourage American companies to take part in this strategy. The political support of the US administration was evidenced when a special advisor was appointed for the Caspian basin. That same year the presidents of

Turkey, Georgia, Azerbaijan, Kazakhstan and Uzbekistan signed the Ankara Declaration to make Baku-Ceyhan the most important route for oil from the Caspian and back the building of a Transcaspian gas pipeline. In February 1999 Turkmenistan designated PSG International and later Shell to build the gas pipeline. It is expected that gas may reach Turkey by the end of 2002 and crude oil could start to flow through the oil pipeline in the first quarter of 2004.

One country that has not expressed much satisfaction about the agreements is Iran, which finds itself ousted from the position of main, best and cheapest alternative for transporting these resources, as some oil companies constantly acknowledge. It has reacted by putting these agreements down to US political motives and the desire to isolate Iran once more. In the long run it hopes that the extraction conditions and crude oil prices in the Caspian will revive interest in the Iranian option.

Turkey considered the outcome of the OSCE summit in Istanbul to be positive as far as its interests are concerned. It proved capable of good organisation and participation; the Chechen crisis diverted attention away from Turkey's internal democratic shortcomings; it was able to consolidate its relations and regional role; and the European leaders confirmed their support for its candidature to the European Union. Although the Chechen issue made the final declaration more difficult to draw up, OSCE emerged with a stronger role.

As for regional matters, Turkey has co-operated fully in military tasks carried out in the Balkans, particularly Kosovo. With respect to Armenia, it maintains that this country must return the occupied territories in Azerbaijan as a condition for establishing diplomatic relations. Moreover, Turkey is deeply concerned about the possible territorial break-up of Iraq, which would be an extremely destabilising factor for the region. The dialogue with Iran is starting to yield results, though there is certain scepticism about President Khatami's real possibilities of using his full influence in the country. In the Caucasus, Turkey is particularly worried about the Ngorno-Karabaj conflict, which is the focus of regional instability, and the situation in Armenia.

Turkey maintains its harsh and inflexible stance regarding the dispute over Cyprus. This could perhaps be understood as its initial negotiating position with a view to the possible resumption of talks on the dispute—a possibility that has been speculated about.

The July commemoration of the 25th anniversary of Turkish intervention in North Cyprus ended with Turkey's reaffirming its unconditional commitment to the Turkish Republic of Northern Cyprus (TRNC) and its endorsement of the principle of "two states" and the formula of a confederation as a solution to the division of the island.

What seems to emerge from this position-taking is that the Turkish side must have abandoned the idea of a bizonal and bicommunal federation as a solution to the division of the island, having consolidated its position with regard to the principle of recognition of the political equality of the two states and the goal of a confederation (something that Greece, for its part, considers unfeasible as Greek Cypriots fear the power of the Turkish armed forces and Anchura's designs on the island). This left hanging in the air the question of whether or not it would be an insurmountable obstacle to Denktash's acceptance of the UN secretary-general's organising of inter-Cypriot dialogue, as "creative formulas" are found that make it acceptable to both sides.

The United States and the European Union advocate the need to take advantage of the international political situation to put this initiative into practice for Cyprus. The initiative is backed by G7 and would entail the parties' resuming negotiations without preconditions, though the US supports the idea of a bizonal and bicommunal federation.

During his visit to Athens as part of the OSCE summit trip, President Clinton made it clear that Turkey cannot become a member of the European Union until its resolves its differences with Greece, stating that the dispute over the Aegean should be settled by the International Court of Justice or another internationally recognised authority. At the same time, he reiterated that the current status quo of Cyprus is not acceptable.

After attending the Istanbul summit, the UN secretary-general paid a bilateral visit to Ankara with a view to the start of the so-called "proximity talks" between the leaders of the two Cypriot communities in New York on 3 December. The secretary-general appealed to prudence and hope. For the time being they do not seem likely to reach a definitive agreement given the distance between them, though at least they are continuing dialogue.

CONCLUSION

The changes in the Mediterranean and surrounding area in 1999, especially the decisive headway that we hope to see in the Middle East

peace process, which affects the whole area, provide a unique opportunity to establish peace and develop the two North-South and South-South axes of the Euro-Mediterranean process in the different spheres of subregional co-operation. It is an opportunity that must not be wasted, not only because of all that is stake on both shores and all that developing the Euro-Mediterranean area means to them, but also because it is linked to the challenges of globalisation.

If we look ahead to the future, the progressive implementation of the commitments assumed at Barcelona should be conducive to a favourable climate for settling all the outstanding conflicts between its members and lessen the possibility of the emergence of new ones.

When the Middle East Peace Process, the agreements to which it gives rise and the Barcelona process achieve the foreseeable degree of convergence that is needed, their respective approaches are set to complement each other. It will then be necessary to reconsider the role of other players with respect to Barcelona, such as the United States and Russia, without whose participation and active collaboration with Europe the development of key areas such as security is inconceivable.

The Barcelona process has, above all, its sights set on the future. The initial stage can be regarded as consolidated, but in order for it to reach its full potential the joint effort of everyone on both shores is required. This effort should be centred on the "Barcelona spirit" and on interactive development of the three chapters of the Declaration, as a shared task of building together. Europe must continue to promote a balanced view of the Mediterranean, improve mutual perceptions and strengthen its co-operation policy, maintaining the financial effort in accordance with the commitment in principle expressed at Stuttgart. The partner countries should assume their own responsibilities so that their transition and modernisation take place on the basis of participation, negotiation and consensus between the different political and social forces, within democratic development. It is not a merely economic process; rather, it has a powerful political, social and cultural dimension that requires a significant level of convergence with respect to the principles and objectives of the Barcelona declaration.

The global nature of Euro-Mediterranean security and the concept of co-operative security must prevail over traditional strategic approaches, and transnational co-operation in the multiple aspects that influence internal security is also important. An important point, and one that was esta-

blished by the members of the Mediterranean Forum as a commitment in principle and laid down in the conclusions of the Palma de Mallorca ministerial session (1998) is that initiatives in the sphere of security require information and consultation, in order to avoid where possible mistaken perceptions or negative consequences.

The role and conviction of civil societies on both shores, at all levels, concerning the development of the process are essential if it is to prosper on the vertical and horizontal axes.

It is equally important to establish positive synergy with the role of other regional or subregional organisations directly or indirectly related to the area.

Peace in the region is a requirement for the full development of the Barcelona objectives, and this entails solving the outstanding conflicts between the members of the process. But this does not mean that, until this happens, the Barcelona process cannot continue its course. Indeed, quite the opposite is true, for, owing to the added value it affords, even to the sides involved in disputes, and because it has an outlook and a scope that are "supra partes", it contributes to the attainment of peace.

The "Barcelona spirit" and the principles enshrined in the Declaration furthermore comprise a set of universal values and thus transcend the text. To promote the Barcelona spirit and project it in the Mediterranean in the broadest sense, its neighbouring areas and at international level, is a "Euro-Mediterranean" challenge that can make an important and innovative contribution to the new international order, in addition to the significant historical contributions that have been made, from this sea, to universal history.

CHAPTER FIVE

IBERO-AMERICA

IBERO-AMERICA (*)

By José Sánchez Méndez

1999 has been a difficult and testing year for Ibero-America, which failed to overcome the many socio-economic difficulties and obstacles that are hampering the region's growth and development. The spectre—and in many cases reality—of recession was a constant feature throughout the year in all the countries in the area, which continue to be excessively vulnerable to external factors, despite governments' adoption of more orthodox economic policies in the early 90s.

Certain problems of public order stemming from economic and social factors and from the continued terrorist activity of extremely violent guerrillas and paramilitary groups in Colombia are a serious threat to political and social stability. However, the outlook for Ibero-America at the turn of the 20th century-beginning of the new millennium nonetheless commands a certain degree of optimism.

A particularly noteworthy event was the holding of the first EU-Latin America & Caribbean Summit in Rio de Janeiro, which will enable trade to be liberalised for a market of over 500 million consumers. Also worth mentioning is the king and queen of Spain's trip to Cuba, the only country of the Ibero-American community that they had not yet visited. The purpose of this trip was, however, to take part in the 9th Ibero-American Summit of heads of state and government, and it was not therefore a state visit.

(*) 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.

A historic event of the year is the end of US administration and control of the Panama Canal zone, which took place on 31 December 1999, and the transfer of the sovereignty of this extremely important waterway to Panama.

SOCIO-ECONOMIC ASPECTS

In a report published in mid-March 1999, the department of studies of the Spanish corporate group Argentaria forecast that the gross domestic product (GDP) of Ibero-America could fall by 1.5% this year as compared to the 2% increase recorded in 1998. This report, the seventh that the department has drawn up on Ibero-America, maintained that this fall was mainly due to Brazil, which accounted for 40% of the region's GDP. The rise in taxes, the fall in public spending, high interest rates and the difficulty of obtaining cheap financing were considered to be key factors that could cause the Brazilian economy to shrink by 4.5% in 1999. Argentina, the South American country that does the most trade with Brazil, would be affected by the Brazilian crisis and its GDP would decrease by over 1%. On 23 March, the secretary of the Argentine Industrial Union, Alberto Alvarez, stated that his country had slid into the worst economic recession of the past 50 years and had serious difficulties meeting the fiscal targets agreed this year with the International Monetary Fund (IMF). The aforementioned Argentaria report forecast that the Venezuelan economy could shrink by 2% and Colombia and Chile would record slight growth (0.5% and 1.5% respectively), whereas Peru, badly affected by the El Niño phenomenon in 1998, could nonetheless grow by 3.5%. The report ended by stating that the main causes of the region's vulnerability were insufficient diversification of exports (the bulk of which are commodities) and the low rate of savings, due to the lack of a consolidated middle class. This makes the countries heavily dependent on foreign capital and leads to lower investment ratios.

In his analysis published in the Spanish daily *El País* at the beginning of April, Jeffrey Sachs, the director of the Harvard Institute for International Development, warned that the Brazilian, Colombian, Ecuadorian and Venezuelan economies were under great pressure, that Argentina was on the verge of recession and that growth in Chile would be slow. He stated that the three financial problems of the Ibero-American countries were fixed interest rates, volatile capital movements and the International Monetary Fund. As most of these countries are exporters of goods, the

Asian crisis had caused prices to plummet, and the oil exporting countries like Colombia, Ecuador and Venezuela were seriously affected, while the fall in the price of copper from $2.3/kilo to just half that amount had severe repercussions in Chile. In addition, most of these countries' exchange rates are pegged to the dollar and should have been devaluated as the price of goods fell. However, the attempts to get round this by raising interest rates led to the first signs of recession. On top of this, the major banks withdrew their injections of capital and demanded their debts be repaid—a fact which worsened the crisis in all the Andean countries, particularly Brazil. Jeffrey Sachs reckons that the IMF holds too much sway over these countries' economies and suggests that they form a united front vis-à-vis this institution, at the same time establishing flexible exchange rates and forming a monetary union between them.

The flotation of the Brazilian real in mid-January causing the currency to fall from 1.2 to 2 units per dollar was a very hard test for most of the Ibero-American countries, though the strict economic adjustment measures imposed by the government as agreed with the IMF brought a certain degree of financial stability and eased interest rates. However, at the end of May, the rumours of devaluation in Argentina caused a heavy impact on Brazil owing to what has been called the "tango effect": speculation about the abolishment of the dollar-pegged exchange rate of the peso and doubts about whether the Buenos Aires government would pay its debt. This insecurity worsened the recession factors in Ibero-America, where practically all the countries are in the same situation. Indeed, there is very little sign that this trend will reverse, and this has added to international investors' fears about the risks of these markets. The main challenge that the region's governments face is how to boost their economies and attract new capital flows. In this regard, several nations have tried to straighten out their economies using the traditional fiscal and monetary stimuli, but their stringent measures have led to a build-up of social pressure. This pressure translated into strikes and demonstrations by the worst hit sectors and also had repercussions on household economies. In Argentina, for example, closures of current accounts rose sharply at the beginning of August, coming to amount to 80% more than in August 1998. The unemployment figures for July 1999 were four times those of the previous July. In Brazil, two million credit cards were cancelled over a period of 18 months, whereas in Chile, Compañía de Telecomunicaciones (CTC), a subsidiary of the Spanish Telefónica, suspended its long-distance service for over 30,000 defaulting customers.

In general, it can be said that the outlook for Ibero-America has deteriorated overall, despite the improvement in other emerging markets such as Southeast Asia. *Brazil* should be the first to shake off the recession and has already begun to reap some encouraging results from having met the targets set by the International Monetary Fund, which granted it a financial aid package of $41 billion dollars. Although domestic demand has performed better than expected and inflation seems to be in check, these factors have not been sufficient to restore investor confidence. This is due to the president's loss of credibility in implementing the policy, and the lack of clarity of his messages, which aim to combine fiscal orthodoxy with disproportionate public spending vis-à-vis the pressure from the country's main productive sectors. Ibero-America evidently will not grow unless the Brazilian economy does so, though the latest balance-of-trade figures have highlighted the fact that its recovery depends on the rest of the countries in the region, owing to the lack of regional initiatives. As of October, Brazil expected to end 1999 with a trade deficit of $1bn, as compared to the $11bn surplus forecast at the beginning of the year.

The impact of the Brazilian crisis has been particularly marked in *Argentina*, which had difficulty meeting the fiscal deficit target agreed with the IMF and therefore asked the international financial institution to extend the ceiling to $5.1bn. The Argentinian government expected to end the year with a growth below the forecast 3%. In July, fear that Argentina could not pay its debt had severe repercussions on the Ibero-American stock markets, particularly those of Brazil, Chile, Mexico and Venezuela. These fears also stemmed from the different ideas about how to solve the problem expressed by the two candidates in the presidential elections held on 24 October, Eduardo Duhalde of the Peronist party and Fernando de la Rúa of the leading opposition party. We should remember that Argentina's foreign debt amounts to over $140bn, though two prestigious international financial brokers, Lehman Brothers and Morgan Stanley, believe that Argentina will not have any difficulties since it has the support of the IMF. In any event Argentina will turn into 2000 in the grip of the worst economic recession since the Mexican devaluation—the so-called "tequila effect"—of 1994, as its GDP, which had fallen by 4.6% in the second quarter of 1999, slid another 3.7% in the third quarter and is expected to drop by 0.5% in the last months of the year.

Chile, which has been the paradigm of a free-market economy and economic stability in Ibero-America in recent years, did not escape the effects of the recession either. Although its economy shrank less than that

of Argentina, it has nonetheless witnessed a slowdown since last October and the first warning signs came when unemployment figures rose sharply, leading domestic demand to fall 13.5% in the first nine months of 1999 relative to the previous year, and exports to dwindle. Although the monetary authority has made ten interest-rate cuts in the past twelve months, this did not stimulate the economy, and at the beginning of September 1999 the Chilean government was forced to allow the peso to float. This measure was designed to adapt to similar decisions taken by other countries in the region, starting with Brazil, shifting from a fixed to a floating exchange-rate system, with the obvious goal of stimulating exports without entailing a substantial devaluation of the peso. As the economy minister Eduardo Aninat pointed out, this will enable the country to pull out of the recession.

Ecuador has been worst hit by the recession. At the beginning of February the sucre was allowed to float against the dollar, leading it to sink by over 60%. Fearing a bank crash, in March president Jamil Mahuad closed the country's 39 banks for several days and had to contend with two days of general strikes involving violent incidents that led him to declare a state of emergency. The rise of over 100% in the price of fuels unleashed chaos in Quito, which was blocked by transport workers. Then a million rural inhabitants and three million indigenous Ecuadorians joined in with a general strike and the oil and electricity sectors staged shutdowns. The executive and several left-wing movements reached an agreement to devise a strategy to overcome the crisis in the country, which was struggling under the weight of a foreign debt equal to GDP, an 18.1% unemployment rate and a poverty rate of 62.5%. During his visit to the country at the end of June, the president of the Spanish government, José María Aznar, announced that he had been in contact with the president of the IMF, Michel Camdessus, in order to intercede on Ecuador's behalf, and had asked Brazil and Mexico to help the nation, which spends 46% of its budget on paying the interests on its debts. Mr Aznar promised to back Ecuador in asking the Paris Club to forgive the $1bn it owes. At the beginning of September the Ecuadorian government announced that it was unable to repay a $96 million interest payment that had fallen due. The IMF, the World Bank and the Inter-American Development Bank accordingly granted it several soft credits totalling $1.8bn and rescheduled the payment of a $6bn debt in Brady bonds. However, the US Department of the Treasury has warned that this international stance must not set a precedent for other countries in the region.

The serious economic crisis that struck *Mexico* in 1995 forcing it to devaluate the peso substantially led to a slump, and the government had to pay out $65bn to prevent the system from collapsing and undertake a series of deep reforms to avert similar disasters. This crisis had far-reaching consequences on the other Ibero-American countries, owing to the aforementioned "Tequila effect". Mexico, although affected by the recession, is in a better situation than the other Ibero-American countries and has allowed foreign banks to establish themselves on its soil as envisaged in the NAFTA treaty signed with the United States and Canada in 1994. Its low labour costs, skilled labour and increasingly developed ancillary industry have made it the target of investments of the world motor industry. However, the aim to privatise the electricity sector triggered protests from Mexicans, a rift in the governing Institutional Revolutionary Party, and even came up against opposition form the Zapatist Army, although it could bring the country $25bn in private capital. The country's economy was boosted by the sharp rise in oil prices, in which Mexico played a leading role.

Venezuela experienced its worst recession since 1989, when GDP fell by 5.6%. The central bank's inflation forecast at the beginning of 1999 stood at 24%, though it is expected to be considerably higher, like the unemployment figures which fluctuated between 15% and 20%. Soon after coming to power, President Chávez drew up the Bolivar 2000 scheme, which has been working in different areas of education, health and community interests and has created popular markets that have enabled millions of Venezuelans to obtain food at considerably low prices.

All these factors are endangering the existence of Mercosur, the common market of the Southern Cone. When the real was floated and, consequently, sank, the most important industrial sectors of Argentina started to put pressure on President Menem to establish limits on the entry of Brazilian consumer goods, which were becoming increasingly competitive owing to the currency devaluation. Trade between Brazil and its Mercosur partners (Argentina, Paraguay and Uruguay) began to dwindle in 1998, dropping 10% below the 1997 figure, and fell more sharply in 1999 to as much as 15% less than in 1998. This fall is a very significant sign that for the first time since 1991 Argentina and Brazil are in the grip of recession. Indeed, when economic advances, which are the basis of the common market, are called into question, serious doubts arise as to how Mercosur will perform in negative growth circumstances. Seeking a solution, the presidents of Argentina and Brazil, at a meeting in Buenos Aires early in June,

agreed on the need to introduce macroeconomic convergence policies similar to those established for Europe in the Maastricht Treaty. These could begin with an agreement on fiscal obligations covering fiscal deficit, external debt and interest rates. The leaders also agreed to seek solutions to the problems affecting trade between their two countries, particularly the food, motor and iron and steel industries. Nonetheless, the trade tensions between Brazil and Argentina mounted again in June, endangering the *entente cordiale* between the two countries.

But political crises also have a significant impact on other sectors, particularly in adverse economic circumstances, such as the domestic situation in Paraguay, which was only overcome—ostensibly, at least—when President Raúl Cubas stepped down from power. The political climate arising from the uncertain future of Venezuela after President Chávez took over the three state powers, the questioning of the Colombian government, the political tension in Argentina owing to the presidential election in October and, more delicate still, the waning popularity of President Cardoso in Brazil, are factors that likewise affect the region's economic stability. This highlighted the fact that, although political normality appears to be more consolidated, it can nonetheless cause a fright.

In order to guarantee economic and customs integration and prevent continual exchange-rate fluctuations between the different Ibero-American currencies, mainly the members of Mercosur, the possibility of setting up an Ibero-American Monetary Union will have to be studied and appraised. Today, Ecuador, Mexico, Paraguay and Peru have floating currencies, whereas those of Argentina and (with a certain margin for fluctuation) Colombia and Venezuela are pegged to the dollar. However, at the end of September, Colombia abolished the fluctuation margin between the peso and the dollar. This enabled it to obtain a $6.9bn loan from international financial institutions—considerable breathing space for the country's economy that was choked by the fight against guerrillas and drug trafficking. Dollarisation requires countries to adapt their economic development to the changes in the US economy, whose cycles and structures are very different from those of the Ibero-American countries, and exchange-rate inflexibility is scarcely compatible with a policy of economic growth and combating unemployment. Argentina, for example, laid the foundations to allow for broad variations in order to keep its prices competitive with those of Brazil, but without bearing in mind the effects this would have on the integration of the Mercosur countries and on its own exports.

The creation of a single Ibero-American currency would prevent exchange-rate fluctuations between the countries in the area and would ensure a flexible exchange rate with the rest of the world currencies, in addition to enabling inflation to be kept in check more effectively. This would, of course, involve loss of national control over monetary policy and internal exchange rates. The initiative is probably not possible at present, as it would require greater convergence of the Ibero-American countries' real economies and greater political and social stability. In this connection, European Monetary Union can serve as a benchmark both in choosing the convergence criteria to be applied (interest rates, inflation, fiscal deficit and public debt) and a suitable timeframe for convergence. Mercosur did examine this possibility in the second half of 1998, but a lack of political will prevented it being taken any further.

While Argentina pondered dollarisation, Brazilian President Cardoso's government decided to float the real, which subsequently fell in value, making the two countries' economic priorities incompatible. Their integration is therefore linked more to circumstantial factors than to a common strategy that would enable the foundations to be laid for a co-ordinated development of the Southern Cone. The experience and lessons learned from the problems of European integration have not been taken into account: for example, the weakness of a future member's economy is not merely a national affair but pertains to all the club members, and it is therefore necessary to co-ordinate all the countries' macroeconomic policies and, in the case of Mercosur, those of Argentina and Brazil in particular. Even so, irrespective of these considerations, at the 13th Rio Group summit in the Mexican capital, President Carlos Menem announced on Sunday 30 May that his government *"was holding talks with the United States to reach an agreement enabling the economy to be dollarised"*, and ruled out the possibility of achieving regional monetary union. Mr Menem went on to say that *"the way things are heading, there may be only three currencies left in the world, the dollar, the euro and the yen"*. Some international analysts and experts are therefore pessimistic about the future of Mercosur.

The aforementioned 13th summit of the Rio Group agreed to adopt a common Ibero-American and Caribbean position with a view to the presidential meeting with the European Union due to be held in Rio de Janeiro in June. This specifically entailed fighting tooth and nail to defend their proposals of abolishing subsidies (mainly the farming subsidies granted by the European Union) in order to be able to compete fairly with the coun-

tries that subsidise production. Over the course of the 48 hours that the summit lasted, it became clear that Ibero-America is the continent of hope, and it was particularly stressed that democracy is safely assured in the region, except for in Cuba. Not long afterwards, in mid-April, the second summit of heads of state and government of the Association of Caribbean States (ACS) took place in Santo Domingo. The 20 leaders who took part studied issues relating to trade, sustainable tourism, transport and the environment in the Caribbean countries.

A highly positive factor that should be mentioned is the forecast carried out in spring 1999 on the future of electronic commerce in Ibero-America by International Data Corporation (IDC), one of the most prestigious US market analysts. This company reckons that over the next three years Internet sales will grow from the current annual figure of $170m to $8bn. This growth is expected to be most pronounced in Argentine, Brazil, Chile, Colombia, Mexico and Venezuela in 2003.

But more important in the very short term is the rally of oil prices as a result of the meeting of the main oil producing companies in the Netherlands on 11 March 1999, including Mexico and Venezuela. At this meeting, which took place in The Hague, they decided to cut daily crude oil production by 2.3 million barrels, in order to halt the decline in price/barrel, which had slumped to $10. A few weeks later the price picked up to $15 and by the end of July the Organization of Petroleum Exporting Countries (OPEC) stated that prices were expected to rise to $21. In the first months of 2000, OPEC will be holding its second summit of heads of state in the organisation's 39 years of existence, after the first that took place in Algeria in June 1975. Mexico is among the countries invited to attend. This spectacular rise in oil prices will come as a great relief to many of the Ibero-American countries for which crude oil is a significant source of revenue. Following this policy of consensus, the Association of Coffee Producing Countries (ACPC), which brings together 12 countries, decided to maintain production quotas in order to push up the price of their product, which had plunged to its lowest level in the past 42 months.

All in all, the near economic future of Ibero-America does not seem overly discouraging, as a report by the International Institute of Finance (IIF) expects private capital to flow back into the region in 2000. The institute, which groups together 310 financial institutions from all over the world, has forecast that the flow of private capital in 2000 will increase by 25% with respect to 1999 to a total of $85bn.

SECURITY AND DEFENCE

Drug traffickers and guerrilla movements (particularly in Colombia) continue to represent the most destabilising factors in Ibero-America. There are also other risk factors caused by the socio-economic conditions that have a severe effect on the well-being and development of the peoples of Ibero-America, in that they influence public health. These include certain possible *pandemics, food shortages, and large numbers of displaced persons. Unfortunately, environmental damage* continues to have a seriously damaging effect on the biosphere preserve—Amazonia. On the other hand, the incidences of border disputes and tension continue to fall, both in numbers and intensity, and the much-feared arms race has fortunately not begun.

Drug trafficking and guerrilla movements

Today it is no longer possible to separate these two transnational threats for they are increasingly closely linked. Both of these factors make it necessary to deploy troops that must be ever more specialised and require the acquisition of suitable weaponry. Because the guerrillas and drug traffickers are able to move freely in the dense jungle across borders and into different countries, the dangers caused by these risk factors become regional in scope. The drug traffickers pay the guerrillas generously to protect their crop fields and drug-processing laboratories, and this has in turn allowed the guerrillas to grow stronger and more effective. A good example of this is the fact that Colombia's two most important guerrilla groups, the Revolutionary Armed Forces (FARC) and the National Liberation Army (ENL) have doubled their forces in the past eight years.

Colombia in particular remains virtually immersed in a state of civil war to which no short- or medium-term end is in sight. The agreement reached in late 1998 between the guerrilla forces and the government to begin talks with the supreme commander of FARC, Manuel Marulanda, alias *Tirofijo* ("Sureshot"), due to start on 7 January 1999, did not produce any concrete results. This was because the guerrilla leader failed to show up at San Vicente del Caguan, even though the site is located within the 43,000-square kilometre area that President Andrés Pastrana ordered the army to withdraw from and leave under guerrilla control. More than 500 people, among them 72 of the 85 accredited ambassadors in Santa Fé de Bogotá, as well as a number of other figures of renowned international stature such as the Nobel Peace Prize Laureate Rigoberta Menchú and the

Nobel Literature Prize Laureate, Gabriel García Márquez, were all snubbed by the guerrilla leader. His empty chair next to Mr Pastrana was a silent testimony and dramatic, graphic demonstration of the FARC's lack of commitment to seeking a peaceful solution to the conflict. *Tirofijo* seized the occasion to publish a communiqué accusing the government of supporting paramilitary groups and of increasing the numbers of army troops, and denounced the government's policy of eradicating coca fields. He also demanded the release of 480 guerrilla prisoners in exchange for the release of 310 policemen that the FARC kidnapped and holds captive.

Meanwhile, the Colombia United Self-defence (AUC), which encompasses extreme right-wing paramilitary groups, announced its intention to negotiate with the government. But at the same time, the paramilitaries were busy murdering 132 people in what they termed a necessary act to strike at the roots of the last subversive fronts. It is estimated that there are some 4,000 troops commanded by Carlos Castaño in the AUC. Elsewhere, *Tirofijo* demanded as a prerequisite condition to talks that the so-called "cleared zone" of 43,000 square kilometres remain demilitarised until 7 May, a term that the government accepted. At a meeting in Caracas on 16-17 February, the other guerrilla group, ELN, also demanded army withdrawal from their area as a prerequisite to negotiations with the government.

Unfortunately, kidnappings, murders, and armed clashes were the norm during 1999. Kidnapping, or *miracle fishing* as the guerrillas call it, constitutes an extraordinary source of income for all subversive groups—FARC, ELN, and paramilitaries alike. In 1998 alone it is estimated that more than $150m were extorted by this method, with an average of more than 2,000 kidnappings per year. The ELN treat their victims in the most humane manner, FARC is the most deceitful, and the AUC the most bloodthirsty, having murdered more than 1,000 people in 1999. Several Spanish citizens figure among those kidnapped, and some of these are still being held.

With President Pastrana's position compromised by the failure of talks with the guerrillas, even *Tirofijo* came to his defence, stating that he was being *isolated*. As a demonstration of his willingness to co-operate, he proposed a pilot programme to substitute other crops for coca plantations in a section of the territory controlled by the FARC. In keeping with his policy of dialogue, Mr Pastrana delivered a 100-point proposal to FARC for discussion before 7 May, the expiration date of the agreement granting FARC

control of the 43,000-square kilometre demilitarised zone. In a show of political courage, he made a surprise visit on 4 May, flying to Caquetania, the headquarters of the guerrilla leader. They held a long, informal, three-hour meeting and reached an agreement to set up an international verification and mediation committee to arbitrate in any difficulty that might arise. Three days later the Colombian government and FARC held a meeting to attempt to reach agreement on a broad agenda. Announcing that negotiations were expected to be lengthy, they agreed to set up a discussion round-table in October, but without the international verification committee.

However, the government's decision to grant an indefinite extension to the demilitarisation of the mentioned area, which includes five municipalities in the Meta and Caquet districts, triggered the worst institutional crisis of Mr Pastrana's mandate and the resignation of the minister of defence, Mr Rodriguez Lloreda, as well as the "retirement" of dozens of generals and officers. The president, who was forced to cancel an official visit to Mexico, met leaders of the armed forces at the Tolemaida base where he listened to their concerns and presented his peace plan. He won the army's backing and loyalty, and their support for democracy. In early July a number of armed clashes took place, with dozens of casualties, between the army, police, and guerrilla groups, leading the government to postpone peace talks. Other reasons for the defence minister's resignation were the guerrilla's refusal to accept the make-up of the International Verification Committee, as well as public complaints over the all-embracing power exercised by FARC in the neutral demilitarised zone, where guerrilla firing squads carried out a number of executions. The government's open-hand policy continued to exert a detrimental influence on the position of the army. General Alberto Bravo, commander of the 5th Army Brigade, was relieved of his command after it was proved that he had failed to prevent a paramilitary massacre of more than 50 peasants. On 24 October, at the very same time that government and FARC delegates formally began peace negotiations at Uribe, 12 million Colombians took to the streets all over the country to demand a cease-fire and concrete results. This was the largest public demonstration in Colombia's history. It was far larger than the demonstration of 15 August, when thousands of people took to the streets to the cry of "No More", calling for an end to violence and protesting at the assassination of the popular journalist and humorist Jaime Gazón, a well-known activist in the struggle for a solution to the armed conflict who was famous for his use of biting irony in the social media against violence.

Although less powerful, the second largest guerrilla group in Colombia, ENL, has said that it will accept international mediation, and in early June requested the intervention of German Chancellor Schröder, according to reports in the *Welt am Sontag* newspaper. As a demonstration of its conciliatory stance, it offered to free 70 hostages that it holds captive, but the Colombian government broke off all contacts when the guerrillas demanded money in exchange for releasing the hostages. On 22 October meetings were held in Cuba between Colombian Senator José Gabriel Uribe, for the government, and ENL leaders Pablo Beltrán and Ramiro Vargas to pave the way for peace talks. They agreed to resume contacts and to work towards freeing the civilians held by the rebel group since April 1999.

At the end of his first mandate in 1999, Andrés Pastrana, despite his brave efforts, had few positive results to show on his administration's balance sheet. Negotiations with the guerrillas had produced no substantial results and the country's economy had deteriorated alarmingly, with GDP growth in 1999 falling to less than 0.5%, the lowest rate since 1943. The country's precarious situation led the United States to issue a warning that *"the country's problems reach far beyond its own borders and have a serious influence on the stability and security of the region"*. It went on to say that the country could not continue *"to passively stand by and observe the escalation of armed conflict and the alarming rise in coca production"*. Although pressure to internationalise the conflict is strong, this is opposed by the main Ibero-American leaders. But the strongest opposition to foreign intervention comes from President Pastrana himself, who has stated repeatedly that this will not happen as long as he is the country's president.

It is not surprising that the countries close to Colombia are attempting to seal their borders as best as they can. This is the case of Brazil, Ecuador, Peru and Venezuela. Brazil continues to promote the creation of an Amazonia Warning System, SIVAM, which was conceived as a method of air-traffic control, and has invited Colombia and Peru to join the programme as a means of strengthening and co-ordinating the fight against the drug trade and the guerrillas. The first phase of the programme would cover the border area with Colombia. The control centre would be located at Manaos and is scheduled to become operative in the year 2000.

Peru and Venezuela have opposing views over whether or not to hold talks with the Colombian guerrillas. While Peruvian President Alberto Fuji-

mori opposes talks with both the FARC and the ELN, the new Venezuelan president feels that they could help neutralise the threat to his own country. Mr Fujimori, who has managed to debilitate the Sendero Luminoso and Tupac Amaru guerrillas significantly, feels that in any event talks are the responsibility of the Colombian government. However, he also feels there should be regional co-operation in security matters to eradicate this threat, because *"if we can reach regional economic and trade agreements, we should also co-operate more closely in the areas of defence and security"*. In a speech delivered in February at the Inter-American Defense College in Washington, Mr Fujimori recalled that at the beginning of the 80s, the Colombian ELN was active in four areas or fronts, whereas it is now active in thirty. Furthermore, in this same time period FARC activity increased from twenty to fifty areas. Because of this, Peruvian President Alberto Fujimori decided to seal his country's border with Colombia, a measure which some analysts feel was based more on the need to keep his army busy following the peace accord reached with Ecuador, and to bolster his own popularity with a view to his second re-election. The sealing of the borders was also effective in the fight against domestic guerrilla forces, and on 14 July saw the capture of the supreme commander of Sendero Luminoso, Ramírez Durand, alias *Feliciano,* the last leader of the Peruvian Maoist guerrilla movement. For his part, Hugo Chávez has not ruled out a meeting with the Colombian guerrilla forces, nor has he committed himself to consulting previously with the Bogotá government. The differences between the two countries regarding this thorny issue can only be resolved by means of a meeting between the two presidents that would also include a review of the state of mutual relations, presently at a very low level. On the other hand, if Mr.Chavez persists in holding unilateral talks with the guerrillas, he would lose his usefulness as a mediator, a position for which he volunteered his services in April at the 2nd Summit of Heads of State and Government of the Association of Caribbean States.

The violence has unfortunately spread to other countries as well. At the beginning of the year a powerful, delayed-action bomb exploded in downtown Montevideo, in the area known as the "República del Cerro", stronghold of the most hardened delinquents. Not since the earnest fight against the Tupamaro movement in the early 70s has there been such an attack as this. The attack was especially serious in the face of the presidential elections scheduled for year's end. Another country where crime is unfortunately rampant is El Salvador, where a murder rate of 120 per 100,000 places the country at the top of the list of the continent's criminal

activity index. A study by the El Salvador Foundation for Economic and Social Development found that the cost of violence accounts for 13% of the GDP, and that the number of murders is close to the same level as 15 years ago, when the guerrillas and army were engaged in all-out warfare. In Mexico also there is a thriving kidnapping industry with an average of six kidnappings per day in the federal capital alone. This has forced the wealthy classes to alter their habits, attitudes, and apparel. Sociologists attribute this rise in crime to the poor state of the economy. According to the *Atlas of Crime in Mexico City* published by the Municipal Security Commission at the end of 1998, there are 747 organised-crime gangs operating in the capital. To fight them, a Special Unit of 14,000 officers, 700 of them *intelligence* experts, has been set up.

With regard to drug trafficking, on 15 April a joint operation by the Colombian and Spanish police and the American Drug Enforcement Agency dealt one of the strongest blows in the history of international drug trafficking when they seized at Cartagena de Indias a shipment of 12 tonnes of potassium permanganate aboard a ship arriving from the Spanish port of Algeciras. Permanganate is the chemical catalyst used in drug processing, and without which the raw coca base cannot be transformed into cocaine hydrochlorate. The Spanish authorities subsequently carried out the largest anti-drug operation in Europe on July 4th in waters off the Canary Islands when they seized a ship from Panama with 10 tonnes of cocaine on board. 250 members of the special police forces participated in this complicated operation. According to intelligence supplied by the American Drug Enforcement Agency, the big Colombian drug cartels own a fleet of 727 large and small aeroplanes, and their profits amount to at least Ptas10 trillion. World wide, it is estimated that some Ptas62 trillion from the drug trade are laundered each year. According to Spain's National Drug Plan, the figure from money laundering in Spain is estimated at some Ptas2 trillion.

According to Europol Director Jürgen Storbeck, the drug trafficking organisations that only a few years ago were restricted to members of the same ethnic group (the Colombian cartels, Chinese triads, and Turkish mafias) are now made up of various nationalities. This has helped trace the ties between the different criminal organisations. Mr Storbeck stated in early July that the Colombian "narcos" were collaborating with the Italian mafia and were increasingly working with more and more of the East European mafia groups. This allows them to increase their smuggling of cocaine into the European Union by way of the former Warsaw Pact coun-

tries, instead of directly from South America. The new technologies have become the best friends of organised crime groups. This is the age of computer crime, also known as *cyberterrorism*, and the "narcos" are not about to be left behind.

Environmental destruction in Amazonia

In view of a supposedly passive governmental stance, the autochthonous inhabitants of Amazonia have hoisted their battle colours in the fight to protect the environment. In early January a group Indians from Ecuadorian Amazonia brought suit, in an American court, against the Texaco Company for dumping crude oil and contaminated water from their oil wells. In its defence, the company alleged that it was abiding by the terms of its agreement with the Ecuadorian government. The Indians pointed out in their accusation that Texaco abides by higher standards at its oil wells in the United States.

Despite growing levels of damage in Amazonia, the region is still very much alive, although every day 5,200 hectares of tropical forest is lost, and in 1998 alone an area of forest as large as Navarre and the Basque Country combined was destroyed. From the time when the Amazon basin was first discovered by the Spanish until just thirty years ago, only one percent of the area of the tropical forest had been lost. But since the 60s, no less than 160 million hectares of trees have fallen victim to deliberate fires, indiscriminate cutting and uncontrolled harvesting, indiscriminate exploitation of the subsoil, and a host of other untold environmental attacks. Eight of the world's largest multinational companies have bought forestland amounting to an area almost as large as Benelux, and control practically half of all wood exports from Brazil.

The idea of Amazonia as an untouchable reserve has been all but abandoned. As pointed out by Greenpeace, what is needed is sustainable development. This requires the support of the countries that signed the Rio Agenda agreement with respect to the protection of Amazonia.

Border disputes

The improvement in political and economic relations between Ibero-American countries, the steady consolidation of democracy, and the absence of massive weapons acquisitions have all contributed to the friendly resolution of practically all the old border disputes.

The Brasilia Act, a peace agreement signed on 26 October 1998 putting an end to the long-standing border dispute between Ecuador and Peru, marked the most significant step in the peaceful, political resolution of this type of quarrel. Both Alberto Fujimori and Jamil Mahuad vowed to freeze the acquisition of new weapons systems. In the case of Ecuador the moratorium is for a period of five years.

The creation of Mercosur, which has a preferential agreement with Chile, has strengthened economic ties between the member states and favoured reciprocal investments. Among the most important of these operations are Chile's investments in Argentina. As a result of this new situation, last December these two countries were able to resolve by negotiation and dialogue the last of the 24 disputes that had been a source of contention between them over the past several years. This allowed ratification of the treaty on mine integration and complementation, which will help the country become one of the world's most competitive nations in the sector, with investments in the region of several billion dollars. Both governments continue to work on the development and application of the treaty. The way for the accord was cleared after the parliamentary approval of another treaty which brought an end to the dispute over ice fields and continental ice shelves, the last bone of contention separating the two countries. The integration treaty was signed for an indefinite period, but allows either party to denounce it after the first thirty years. Among other things, it eliminates the so-called border security zone in the Andes for mining and similar activities, and guarantees companies' investments by means of other bilateral agreements for this purpose. The new climate is reflected in many areas, such as joint military exercises, Chile's support for Argentina's claim to the Falkland Islands, and President Menem's support of Chile in the matter of General and senator-for-life Augusto Pinochet. Towards mid-November, during the 13th Conference of American Armies (CEA) at La Paz, the Chilean Army commander-in-chief General Ricardo Izurieta announced that his country would remove the one million antipersonnel and antitank landmines buried along the 1,500 kilometre border, and also promised to destroy mine stockpiles. Chile shares borders with Argentina, Bolivia and Peru.

Colombia and Venezuela managed to resolve their sovereignty dispute over coastal waters, which contain vast oil reserves, and for the moment relations are excellent, so much so that the countries are co-operating against the Colombian guerrilla forces. However, the rise to power of Hugo Chávez and his neo-populist party could represent a dark cloud on the horizon.

Nevertheless, a number of disputes drag on, such as Argentina's claim to the Falklands (though another military confrontation with the United Kingdom is unlikely), Bolivia's permanent desire for an outlet to the Pacific, and Venezuela's claim to a portion of Guyanese territory west of the Essequibo River. However, if we look at the current map of South America and compare it to the same map only a few years ago, it is easy to observe the tremendous difference between the present and the past.

There is no arms race

The economic crisis that hit Ibero-America as a result of the collapse of the Asian markets and those of other emerging countries has certainly had, and continues to have, considerable influence on defence budgets in the American subcontinent. Another factor that has equally influenced defence spending is the new political climate that has arisen from the closer institutional and economic relations between the Ibero-American republics and their participation in different regional forums, particularly the summits of Ibero-American heads of state and government.

Argentina, which had the biggest military budget in the region after Brazil, had its appropriation for 1999 slashed to $3.9bn. However, the legislation passed the previous year, 1998, provided for an investment of $1bn over the next five years, the first allocations of which were to be included in the 2000 budget. This will not enable the country to acquire new, technically advanced military equipment, but it will at least serve to modernise and preserve part of the existing materiel, which could include 20 *Mirage III* and *V* fighter planes, *Hercules C-130* transport aircraft and four surplus US *P-3 Orion* sea patrol aircraft. Also worth mentioning is the conversion of the *M113A-1* armoured transport vehicles and the construction of two corvettes based on the German *Meko 149* model. Argentina is likewise studying the possibility of acquiring second-hand *TA-4J* aircraft from the US Navy to train the pilots of its 36 *A-4Ms*. For this purpose, a team of high-ranking officers and technical experts visited the Davis-Monthan airforce base in Arizona. In 1999 Argentina published its first *White Paper on Defence*, following the success of the one Chile published two years ago.

Brazil's plans and programmes to acquire technologically advanced weapons and modernise its existing ones will be badly affected by the crisis the country is undergoing. Brazil's defence budget in 1998 was no less than $14.2bn, four times that of Argentina, which has the second-highest

budget. These budget cuts have delayed for several years the purchase of 75 to 150 modern high-technology fighter planes—the candidates for which were France's *Rafale*, the Anglo-Swedish *JAS 39 Gripen*, the US *F-16* and *F-18* and the Russian *Mig-29*—though they will not affect the modernisation of the out-of-date *F-5s*. The government's economic austerity is not expected to delay the coming into operation of the aforementioned SIVAM air traffic control system for Amazonia based on a network of radar, aircraft and satellite surveillance. The financial crisis did, however, force it to cancel a joint naval exercise scheduled with the United Kingdom. It should be borne in mind that 75% of the defence budget, according to sources of the prestigious *Defense News* journal, is used to pay wages and pensions of retired personnel. But the devaluation of the real has had a positive effect on Embraer, Brazil's leading aeronautical industry and the country's second biggest exporter, whose aircraft are now cheaper and therefore more attractive to international buyers.

In *Colombia* the acquisition of advanced signals intelligence systems and transport and combat helicopters to neutralise, if not defeat, the left-wing guerrilla is the most urgent priority. The Colombian government plans to acquire a total of 24-30 *Black Hawk* transport helicopters, among other things, and wants to modernise its *Cobra* combat helicopters to achieve greater mobility and firepower. Since the guerrilla and drug traffickers use modern telecommunications equipment such as cell phones, the Colombian authorities need systems that are able to intercept their frequencies and locate the emission sites. Since the traffickers have practically unlimited financial resources, Colombia needs economic and military aid to ward off the threats they pose.

Chile has traditionally had a high defence budget, but the fall in copper prices and the Pinochet affair have thwarted its purchase plans. The defence budget is funded partly from the revenues from copper exports, and has been badly affected by the slump in prices to the levels of 12 years ago. Chile has continued to suspend its purchases of modern fighter planes, the candidates for which were the same as Brazil's. However, with a view to possibly reconsidering this decision, from 16-23 June a delegation of the Chilean air force headed by General Fernando Rojas, the Chief of Staff, visited several Russian factories such as the Gromov Institute for Test Flights in Zhukovsky to watch flight demonstrations of the *Mig-29*, *Mig-31* and *Su-27* aircraft and the *KA-50 Black Shark* combat helicopters. During this trip, the Chilean commission met the senior management of the main fighter aircraft manufacturers and General Rosvoorouz-

henie, who is in charge of the Russian agency for the export of military equipment. Some international analysts opine that the real purpose of the visit was to secure substantial discounts from the western aeronautic companies on the fighter planes that really interest the Chilean Air Force.

Ecuador's decision to freeze the acquisition of modern weapons has been mentioned earlier. Peru was the biggest Ibero-American importer of weapons—in which it has invested $1bn over the past two years—and was planning to purchase *Su-27* and *Su-30* fighter planes, *T-72* tanks and *Tipo 214* submarines. The two countries are also affected by the widespread economic crisis: Ecuador on account of its petroleum exports, and Peru because of the fall in copper prices.

Mention should be made of *Venezuela,* the only Ibero-American country that has *F-16s.* But the election of the populist Hugo Chávez, a former lieutenant colonel of the armed forces, as president of the nation raises doubts as to whether he will choose to modernise Venezuela's available military equipment or invest in social welfare programmes.

The conclusions to be drawn from the foregoing are that the much-announced and feared—not to mention criticised—arms race in Ibero-America has not occurred, after President Clinton stated in summer 1997 that the embargo on advanced-technology weapons would be lifted in the region. The question arises of whether America's decision was a sign of confidence in the new Ibero-American democracies or whether it stemmed from other interests that Washington neither announced nor clearly explained. The spring 1999 English-language edition of the USAF publication *Airpower Journal* contained an illustrative and documented analysis by Dr. Frank O' Mora and Air Force Lieutenant Colonel Antonio L. Paló.

The authors of the article state that *weapons sales are a means of establishing and maintaining military relations at a time when the United States has lost considerable authority and influence in the region.* This decline in US influence is evidenced by the fact that the amount allocated to the IMET (international military and education training) funds for Ibero-America has not changed since 1996. They also maintain that weapons sales and transfers are reflected in the carrying out of joint manoeuvres and exercises. This translates into better mutual understanding and the establishment of new and broader communication channels with the military and rulers, and, according to the authors, such transfers boost the United States' capacity to influence spheres other than defence and security, such as the possibility of exerting political pressure and intimidation

on these countries by threatening to cancel sales or impose sanctions if they do not meet the established political expectations.

Recently, the number of Ibero-American fighter pilots who receive advanced flight training in the United States has been decreasing, whereas more and more are trained in other countries, such as France and Israel. In the past 10 years, the US training programmes implemented at the Howard airbase in Panama and at Williams base in Arizona have been discontinued, and hundreds of Ibero-American pilots who used to attend those centres no longer get the benefits of US air doctrine and thought. What is more, these fighter pilots generally attain senior posts in their countries' armed forces or defence departments. The disappearance of this training and mutual knowledge leads to the disappearance of opportunities for future contacts.

The former US defence secretary, William Perry, had previously pointed out that weapons sales had a stabilising effect and, together with training in the United States, were an excellent means of keeping check on these countries' armed forces as they enable replacements to be controlled. Furthermore, the interoperability of the weapons systems facilitates military co-operation, particularly in missions aimed at maintaining or establishing peace. Mora and Paló also believe that weapons sales do not necessarily weaken the democratic institutions or cause marked increases in defence budgets—which amount to less than 2% of GDP in the Ibero-American countries. They quote Karl Derouen when they state that in the current Ibero-American democratic systems, defence budgets have had neither positive nor negative effects on poverty and socio-economic development. The authors end up by saying that *arms sales can restore or strengthen the United States' influence and leadership in Ibero-America.* What more can be said?

Political aspects

The *continuism* that Mr Menem had in mind for Argentina was interrupted for the time being, at least until 2003, when the Alliance candidate and mayor of Buenos Aires, Fernando de la Rúa, won 48.5% of the vote compared to the Justicialist candidate Eduardo Duhalde's 38% in the Argentinean presidential elections on 24 October. After seven decades and sixteen military regimes, the populism of general Perón and his wife in the 40s, the Falklands War with Britain in 1982, the re-establishment of democracy and Mr Menem's liberal reforms, Argentinians seem to be on

the road to stability. The election result marked the end of a period in which galloping inflation was knocked down to zero, the armed forces were brought under the sway of civilian power and the big state companies were privatised, but the rich became richer still and poverty increased substantially. Fernando de la Rúa, who took up office on 10 December, has promised to put an end to a period of corruption and privileges and bring moral change to Argentina. The new president will have to pursue a policy of consensus-building, as the Justicialist Party controls the Senate, 99 of the 255 seats in the lower house of Congress and two thirds of the 23 provincial governorships, which are particularly influential offices in Argentina. Mr de la Rúa aims to improve relations with Brazil and has promised to try to give impetus to a customs union between the Mercosur countries and stimulate the creation of a single currency within the South American trading block. At the beginning of November Argentina was shaken by the decision of the Spanish judge Baltasar Garzón to prosecute 98 Argentinian military and police officers, including those who were part of the military leadership of 1975. Mr Garzón's decision was categorically rejected by both President Menem and the president elect, Mr de la Rúa.

What we might term the *neopopulism* of Venezuela's new president, 46-year old Hugo Chávez Frías, is one of the highlights of Ibero-American political scene in 1999. On taking oath of office on 2 February in the presence of 15 regional heads of state and the Prince of Asturias, he swore allegiance to God, his Country, the People and what he described as the *"dying constitution"*, proclaiming himself a revolutionary and announcing that Venezuela needs a deep change of social and economic policy. As many people see it, Mr Chávez will be Ibero-America's new *Castro*, with his combination of populism, social justice and a certain degree of lyrical socialism. Mr Chávez and Fidel Castro coincide on many points of view—it is no coincidence that the new Venezuelan leader deeply admires his Cuban counterpart, as he made clear in his inaugural speech on 2 February: "We are starting a war against corruption, famine, unemployment and everything that is ruining my people". According to Jorge Castañeda, a professor of the Autonomous University of Mexico and one of the most highly esteemed Ibero-American intellectuals, Hugo Chávez could be a true Ibero-American populist like other historical politicians of the subcontinent such as Vargas, Cárdenas and Perón.

The president of Venezuela will implement these changes by means of a Constituent Assembly, which will prevail over the other state powers and will have a six-month period in which to draft a new constitution by

the beginning of January 2000. Three of the seats were reserved for the ethnic population. However, he did not have an easy task creating the Assembly, as on 14 April the supreme court of justice stated that it could not dissolve any public power and likewise refused to grant him special powers to adopt economic measures. Mr Chávez therefore called a referendum for 25 April to decide on the creation of the Assembly, which he won by a large majority, despite the high percentage of abstentions. In a show of determination and boldness, he challenged the national electoral council by personally taking an active part in the pro-Assembly campaigns, broadcasting over the national radio station and appearing on the public television channel. The elections to choose the members of the new house were held on 25 July, and resulted in a resounding victory for the Patriotic Pole, a disparate collection of political parties that provides the president with popular support, which won 123 of the 131 seats. It is interesting to note that 26 of its members are retired military officers and former colleagues in arms of Mr Chávez, who stated that Venezuela was governed by a trinity of "God, Bolívar and me". According to the new draft of the constitution, written by a team of the president's advisors, the nation will come to be called *"Bolivarian Republic of Venezuela"* and its map should correspond to the territory of the Captaincy General of Venezuela before the political change that begun in 1910. The new constitution will also incorporate two new powers—moral and electoral—in addition to the three conventional state powers. While on the path to political transformation, Mr Chávez stated at the end of August that he would have to declare an executive, legislative and judicial emergency. In doing so, he himself, the Congress and the Supreme Court of Justice would be subordinated to the Constituent Assembly. And to set an example, he again took oath of office, this time swearing allegiance to the Assembly. Admittedly, the former Venezuelan regime was dying from corruption and widespread poverty that affected huge sectors of the population, and it is therefore not surprising that the former military officer intends to apply a surgeon's healing hand to the nation. It is worth considering article 163 of the new draft of the constitution, which states that any Venezuelan who does not plough his earnings back into the country to develop the national economy's productive strength is a traitor to his nation.

The region's wish to maintain and increase political and social stability has led some Ibero-American politicians to attempt presidential re-elections, even going to the lengths of amending the constitution for this purpose. This was the case of Alberto Fujimori and Carlos Menem, who

claimed that the prohibition on a third term in office was passed in their countries only after they first came to power. In Argentina the tough struggle within the Justicialist Party eventually discouraged Mr Menem from standing in the October elections, a fact which had its effects on the party leadership and his chances of standing in subsequent presidential elections in view of the October result. We spoke of this *continuism* in the 1998/1999 edition of *Strategic Panorama*, stating that in Ibero-America state abuses have always contributed to the formation of an authoritarian political culture that is conducive to the accumulation of personal power and limits the possible candidates to succession.

In *Brazil*, President Fernando Cardoso began his second term of office, though it is not certain whether he will want to continue for a third. *Continuism* might also have spread to Panama, where President Ernesto Pérez Balladares, of the Democratic Revolutionary Party founded by General Omar Torrijos, intended to stand for a third re-election. When the necessary constitutional reform was rejected, he was replaced as the official candidate by Martín Torrijos, the general's son, who had to compete against Mireya Moscoso, the widow of the thrice-president and thrice-deposed Arnulfo Arias, in a general election characterised by the *withdrawal of the US forces and the transfer of the Canal to Panama on 31 December 1999*. However, the elections on 2 May were won by Mrs Moscoso, whom most Panamanians refer to as *"Doña"*. She took up office on 1 September. Three days after the presidential elections, the United States closed the Counternarcotics Center at Howard airbase in the Panamanian Pacific, moving it to Cayo Hueso in Florida. Another major event of 1999 began on 29 June, when the United States began its definitive withdrawal from the Panama Canal Zone. This process is to be completed by 31 December, in accordance with the Torrijo-Carter agreements signed in 1977 by the Panamanian and US presidents. That day some 3,800 American soldiers abandoned the Canal Zone, where the US had been present since the beginning of the 20th century. In her inaugural speech, Mireya Moscoso promised to manage the Canal just as well as, or better than, the Washington government.

Political and social life in *Chile* has been influenced and conditioned by the fate of General and senator-for-life Pinochet Ugarte. Early in 1999 the new Venezuelan minister of foreign affairs, José Vicente Rangel, stated that although the detention of the general may seem, in principle, morally right, its legality was debatable and it was politically inappropriate as it caused serious turmoil in Chile. In Britain, the former prime minister Mar-

garet Thatcher led a campaign throughout the year for the release of General Pinochet, stressing the valuable help that the Chilean leader afforded her country during the Falklands War. And before the British Law Lords ruled on Mr Pinochet's immunity from extradition, the Holy See sent a written appeal to the British government to release the general for humanitarian reasons, warning that the trial could hinder reconciliation in Chile.

But on Wednesday 24 March the Law Lords, the judges of Britain's highest court, ruled that the old general enjoyed immunity as a former head of state until September 1988, and can thus be extradited to Spain to face only four of the charges. So if his extradition is granted, he could only be tried for those four alleged crimes. The case was thus thrown back in the lap of Jack Straw, the home secretary. The judgement of the Law Lords was to divide Chilean society, and the head of the army, Ricardo Izurieta, stated that it was "negative for national interests", while the armed forces urged the government to spare no effort to defend national sovereignty on all fronts. At the end of March José Miguel Insulza, the Chilean foreign minister, pointed out once again that the Oporto Declaration of the 8th Ibero-American Summit of heads of state and government rejected the extraterritorial application of national law. As the king of Spain and the president of the government had signed this declaration, he claimed that Judge Garzón's extradition request should therefore not be processed by the Spanish Council of Ministers.

On 15 April Jack Straw gave the go ahead to General Pinochet's extradition, if only for the crimes of torture and conspiracy committed after December 1988, and rejected the humanitarian considerations. The Chilean government retaliated by announcing that it would resort to international arbitration to settle the legal situation of the general, and President Frei announced that Chile would reconsider its relations with Spain and the United Kingdom. At the end of May Mr Justice Ognall of the High Court dismissed the appeal lodged by the general's lawyers for a judicial review of the order issued by the British home minister Jack Straw. Meanwhile, at the beginning of August, the prosecutor's office of the Spanish high court appealed against the prison order of commitment issued by Baltasar Garzón, on the grounds that it was null and void. The appeal was rejected by the judge. Although a medical report disclosed that General Pinochet's state of health had deteriorated badly, the British foreign secretary told his Chilean counterpart that humanitarian reasons would not be taken into account so as to release the general before the extradition proceedings, which were given the go-ahead by Justice Ronald Bartle on Friday 8 October.

The matter has led to a serious deterioration in Spain's relations with Chile and even with other Ibero-American countries. Whereas the Spanish government dismissed the possibility of a political agreement, on the understanding that this was a purely legal affair, Chile confirmed its decision to take the case to the International Court of Justice of The Hague and to reconsider "all relations with Spain". At the same time, President Frei confirmed he would not be attending the 9th Ibero-American summit in Havana and the Chilean press denounced Spain's paternalism and disappointing behaviour, as it had been hoped that the experience of Spain's political transition would make the Madrid authorities more understanding towards Chile's domestic situation. For his part, President Menem backed Chile's stance and criticised Spain's position, which he described as "intolerable legal colonialism", stating he would not take part in the 9th Summit in Cuba either. Uruguay's President Julio Sanguinetti said he would go to Havana despite the "resurgence of the European spirit of guardianship with respect to the Pinochet case". Surprisingly, the former president of the Spanish government, Felipe González, opposed extraditing General Pinochet to Spain, as he was convinced that "we lost the capacity to administer justice in the colonies over 180 years ago".

Around the same time, at the end of May, *Chile's* historic left-wing leader Ricardo Logos won the presidential primary elections of the Concertación, the centre-left coalition that governs Chile, and became the favourite for the national presidential elections on 12 December, though the opinion polls hav shown a spectacular rise in popularity of Joaquín Lavín, the leader of the Alliance for Chile with extreme right-wing leanings. 21 June saw yet another event in the national crisis that stemmed from the Pinochet case, when Mr Frei's shuffled his cabinet. Juan Gabriel Valdés was appointed minister of foreign affairs.

Cuba began 1999 by celebrating the 40th anniversary of the revolution, without great popular enthusiasm. In mid-February the National Assembly of the People's Power (parliament) passed the bills amending the penal code and the bill on the protection of Cuban national independence and the economy, ostensibly aimed at cracking down on offences that could seriously affect the growing tourist boom, though the official parliament message stated that the law was directed at the agents of imperialism, the so-called *independent press,* and dissidence. On 1 March, hours before the start of the proceedings against the Internal Dissidence Working Group, popularly known as the *"group of four"*, 34 opponents of the regime were arrested, and a further 36 were confined to their homes, while

the press and the diplomatic corps were denied access to the courtroom. The prosecutor's conclusions were based on the fact that the four dissidents had written and disseminated documents inciting sedition. On 15 March the judgement sentencing Vladimiro Roca, the son of the late communist hero Blas Roca, to five years' imprisonment and the other three dissidents to four years was supplied to the press. Despite the appeals by Pope John Paul II, the Canadian prime minister and the Spanish minister of foreign affairs, among other international figures, to free these dissidents, the Cuban government ignored these requests amid an unexpected toughening of the Castro regime. However, at the beginning of August, Mr Castro was to free 29 prisoners after a Spaniard, the president of the Galician regional government, Mr Fraga Iribarne, interceded on their behalf.

On 16 February the Cuban church expressed its concern and rejection of the policy of radicalising the penal code in a press conference given by Cardinal Jaime Ortega after the 17th Inter-American meeting of bishops held in Havana. This was to be the first crack that appeared in the relations between the Roman Catholic Church and the Cuban state a year after John Paul II's historic visit to the island.

Around the same time, two Salvadorian citizens were sentenced to death by the provincial court of Havana city, having pleaded, and been found, guilty of carrying out several terrorist attacks on hotels in the capital in 1997, in which one person died and several were injured. The anti-Castro American Cuban National Foundation of Miami was held responsible for ordering the attacks.

Surprisingly, at the end of May Fidel Castro dismissed Roberto Robaina as foreign minister, replacing him with Felipe Pérez Roque, a young 34-year old engineer who had accompanied the Cuban president on all his foreign trips for the past seven years. Mr Robaina was given his baptism of fire at the first EU-Latin America & Caribbean Summit held in Rio de Janeiro at the end of June. There, Fidel Castro was the butt of several reproaches from the European Union.

This policy of bringing young blood to the political system by appointing graduates freshly out of university to posts of responsibility is aimed at forging communication links with the new generations, known as the "grandchildren of the revolution". The most striking example of this policy was the choice of a 22-year old student, Hassán Pérez, to address the United States' representative at the United Nations General Assembly.

As for the US embargo on the island, all that is certain is that it has failed: at least, as far as Spanish public opinion and the premier, José María Aznar, are concerned. Indeed, nobody approves the encroachment upon public and private freedoms in Cuba, and even less so an embargo that is as arrogant as it is useless. To help guide Cuba and Cubans towards democracy and prosperity, it is necessary to help incorporate the country into the current global economic system, so that Cuban society itself forces political and social change from the inside.

On 7 March the third general election was held in *El Salvador* since the army and the Farabundo Marti National Liberation Front guerrilla organisation signed the peace agreements seven years ago putting an end to an atrocious civil war that claimed 75,000 lives, drove thousands of Salvadorians into exile and created a climate of hatred and mistrust. The election atmosphere was very calm, though 60% of the electorate abstained. The result came as a severe blow to the Front, whose candidate Facundo Guardado, a former guerrilla and mountain fighter, polled a mere 29% of the vote, compared with the new president Francisco Flores of the right-wing Arena party, who secured an absolute majority. Unlike his predecessors, Mr Flores embodies a new generation of rich Salvadorians who are more open to the outside world and have more international experience and a better academic background.

Guatemala held its first election since 1996, when the government and the then Guatemalan National Revolutionary Unit (URNG), now a political party, signed a peace treaty. Despite fears of a low turnout—the abstention rate was 73.7% in 1995—54% of the electorate went to the polls. In addition to the president and vice-president of the republic, voters chose the 113 congressmen, 330 mayors, 20 representatives and other replacements for the Central American parliament. The winner was Alfonso Portillo, the candidate of the Republican Front opposition party, who secured 47.92% of the vote, followed by Oscar Berger of the governing National Advance Party, who polled 30.96%. The URNG candidate received a mere 11.6%. Mr Portillo has promised to imprison the murderers of the bishop of Guatemala, Juan Gerardi, who was killed in 1998 two days after accusing the army of being responsible for the fate of the 200,000 people who died or went missing during the civil war.

Of all the Central American countries hit by hurricane Mitch, *Honduras* was the worst affected. In addition to the 5,000 lost lives, the material damage was a genuine national disaster. The bridges linking the two sides

of Tegucigalpa have not yet been rebuilt and the nation lacks the financial and technical means to repair the huge damages. On top of the disaster came the tumbling coffee prices as a result of the Brazilian crisis. As coffee is Honduras's main export, its revenues will be less than half those of last year. At the end of July President Carlos Flores faced a serious institutional crisis and was forced to dismiss senior military commanders to ward off the threat of a possible coup d'état, thus asserting the supremacy of civilian power.

In *Mexico,* 1999 began with the fourth visit of the Pope, who once again was received by cheering crowds, to the rhythm of the popular song *Cielito Lindo.* This time he had not come to criticise the fickleness of liberation theology, but rather to condemn the iniquities of capitalism and easy money. John Paul II brought to Mexico the *catechism of solidarity,* entitled *Eclesia in America,* which contains ten new Commandments: abolish torture, abolish the death penalty, build the rule of law, fight against corruption, combat neo-liberalism, prevent globalisation from marginalising the poor, press for the cancellation of the debts of the poorest countries, eradicate the drug trade, say no to the illicit arms trade, and respect the earth and not destroy or squander its natural resources. John Paul II again brought hope to this constitutionally non-denominational country where 90% of the population is Catholic, and reaffirmed his support for the Mexican people. His rousing reception contrasted with that of Bill Clinton, who travelled to Mexico in mid-February in an attempt to clean up his image following the scandal at home over his affair with an intern and practically escaped the notice of the Mexican population.

The problem of Chiapas has continued to cast a shadow over Mexican politics and life in 1999. On 8 May deputy-commander Marcos reappeared after over a year of absence, to back the results of a plebiscite in which two and a half million Mexicans voted for a peaceful solution to the conflict. But in mid-September, the ruling of a Mexican judge who sentenced 24 people to prison for taking part in the slaughter of 45 native Indians from the Acteal community in the Chiapas region in December 1997 was not sufficient to appease the local population. At the same time, throughout the year the Institutional Revolutionary Party (PRI) has been engaged in a tough struggle to designate the candidate of this party—which has governed for 70 years—for the presidential election in 2000. The PRI's hegemony is under serious threat, though the opposition alliance formed by the National Action Party and Cuauhtemoc Cárdenas's Party of the Democratic Revolution has yet to become consolidated.

On 7 November the Institutional Revolutionary Party, PRI, which, as mentioned earlier, has been governing Mexico for 70 years, held its first internal elections to choose a candidate for the presidential elections slated for 2000. Although four candidates were nominated, the winner Francisco Labastida—considered to be the "official" candidate—won in 90% of the 300 electoral districts. However, Mexicans reckon that this is only a token change, from a *dedazo* (literally, the "big finger") designation to a *dedo bajo la mesa* ("finger under the table"), i.e. finger-pointing in democratic disguise.

The 20th anniversary of the Sandinist People's Revolution on 19 July was a sad affair, since Nicaragua is currently the poorest country in the Americas, with the exception of Haiti. 80% of its inhabitants live below the poverty line and 70% are unemployed, according to a report by the Economic Commission for Latin America and the Caribbean. Against this backdrop of misery and disillusionment, a web of rumours and reports is being woven on the riches that President Arnoldo Alemán and the Sandinist leader Daniel Ortega are accumulating illicitly. On the subject of the former revolutionaries, Tania Montenegro, a journalist who writes for *Barricada*, the revolution's official daily, wrote last summer: "after the defeat, revolution is written with a small "r", the Sandinist leaders are turning into businessmen, swapping their olive green uniforms for clothes bought in Miami; they shun their colleagues and deprive people of their doctor's or bachelor's degrees...."

But the country that was to be thrown into particularly serious political turmoil was Paraguay, owing to the tension between President Raúl Cubas and the supreme court of justice over the court decision ordering the return to prison of General Lino César Oviedo, a failed coup organiser. The political and institutional crisis worsened when Congress voted to impeach the president following his refusal to obey the court order. However, the country was on the verge of collapse on 23 March, when the vice-president, Luis María Argaña, was shot dead inside his car in the centre of Asunción. The attack put at end to the threat that Mr Argaña, an internationally acclaimed jurist, could oust Mr Cubas from the presidency following the impeachment proceedings. Nicknamed *"the Prince"*, Mr Argaña was an active member of the Colorado Party, which has been ruling the country since 1947 and has certain similarities with the Mexican PRI, and was a bitter political enemy of General Lino Oviedo. The crime was condemned by the whole of the international community, and the bordering countries and fellow members of Mercosur closed their borders to prevent

the killers from fleeing. Amid suspicions that the government was trying to pull off a coup to gain power, General Lino Oviedo gave himself up to military justice and declared he had nothing to do with the assassination, whereas two days after the crime the Senate instituted proceedings to dismiss and imprison President Cubas, who was held to have abetted and been politically accountable for the murder. From the night of Friday 26th to Monday 29th of March, serious street skirmishes broke out between supporters of the two sides and several people were killed and dozens injured by snipers. The police, who are answerable to the interior minister Carlos Cubas, the president's brother, were somewhat passive. Brazil's President Fernando Cardoso played a key role in persuading Raúl Cubas to resign as president and offered him political asylum in Brazil, sending a military aircraft to fly him out of the country. It should be recalled that Brazil has also given asylum since 1989 to the former Paraguayan dictator Mr Stroessner. At the same time, General Lino Oviedo managed to flee the country and take refuge in Argentina, where he was granted asylum. The crisis ended when Luis González, the Senate president, was sworn in as president, though the Paraguayan foreign minister Miguel A. Saguier resigned on 3 September after Argentina refused to extradite General Oviedo.

In *Uruguay*, the so-called Switzerland of Ibero-America, the left's spectacular win in the presidential election on 31 October proved to be insufficient, and a second round took place on 28 November. For the first time in 170 years, political change forced the historic National (known as the *Blancos*) and *Colorado* parties to team up for the polls. This secured a victory for Jorge Battle, who polled 51.6% of the vote compared to the centre-left candidate Tabaré Vázquez's 44.1%. In this small but wealthy country which has a per capita income of $6,350, the highest in Ibero-America, and free education, nothing will be the same after Mr Vázquez made his coalition the biggest minority in parliament. Although Uruguay's gross domestic product has grown by 35.8% in the past ten years, unemployment stands at 10.5% and a high percentage of the population live in dire poverty. Unlike other nations in the area, former rulers did not embark on privatisation, and the telephone, electricity and fuel companies continue to be state-owned.

1st EU-Latin America & Caribbean Summit

At the end of June Rio de Janeiro was the venue for the first summit of EU, Ibero-American and Caribbean countries that sprang from an initiative of the Spanish premier, José María Aznar, and was attended by 48

heads of state and government. At the end of the conference the participants signed the Rio de Janeiro Declaration, which will go down in the history of international relations for the breadth of its aims and the large number of nations that have adhered to it. The Declaration makes special mention of collaboration in fighting against drug trafficking and terrorism, promoting nuclear disarmament and the eradication of weapons of mass destruction (chemical and biological) in order to encourage the holding of free elections, democracy and respect for human rights, and to establish a flow of aid to the least developed states, enabling them to eradicate poverty. It also includes the aim of boosting the liberalisation of trade, the reform of international financial architecture and correcting the deep economic injustices affecting the Southern Cone. It furthermore expresses the agreement to set up a business forum between the EU and the Ibero-American countries, as well as a cultural forum and a biregional group for technological development. It was signed by a long list of countries from Cuba to Germany, none of which raised any objections.

At the summit, the EU, Mercosur and Chile took a historic step by agreeing to free trade between the two blocks. This will lead to an economic market of over 500 million people, the biggest in the world. It was agreed at Rio that negotiations would be begun in November, though matters of substance such as abolishing tariffs, the timeframe and the specific scope of the agreements will not be addressed until July 2001. It has not been established when the talks are due to finalise, though this will not be before the end of the so-called Millenium Round at the World Trade Organization. We are thus witnessing an initial and promising step towards this strategic alliance between the EU, Mercosur and Chile. It is hoped that the Andean Pact, Central American and Caribbean countries will subsequently join this process, which parallels the United States' endeavour to establish the Free Trade Area of the Americas (FTAA), which currently includes the core group of the US, Canada and Mexico. With respect to Mexico, the EU signed an agreement in principle with this country on 24 November to establish a free trade treaty that could come into force in July 2000.

President Aznar described the summit, which marks a geostrategic commitment to the 21st century that affects the Union's very raison d'être, as a historic milestone in the building of the European Union, adding that Spain had successfully infused the foundations of the EU with the particular characteristics of Ibero-America. Although Spanish diplomacy managed to include the stipulation that no sector should be excluded from the

negotiations, France began to take precautions, stating the need to bear in mind the sensitivity of certain products and services. It fears that in moving towards the future liberalisation of trade, the EU will be forced to lower the protection of its farm produce, particularly continental products such as grain, beef and wine, which Ibero-America produces in huge quantities.

As a reward for its efforts, Spain will host the second EU-Latin American & Caribbean summit in 2002, coinciding with the Spanish presidency of the Union. José María Aznar accordingly promised to implement the agreements adopted so that the objectives will have been met by that time. However, powerful European farming organisations, mainly from Germany and France, intend to sabotage the start of the EU's negotiations with Mercosur, which are due to begin at the end of 1999, despite the mandate of the European Commission stating that the free trade area with Mercosur will be established over a 10-year period in which mutual concessions will have to be made.

The 9th Ibero-American Summit

Cuba's head of state, Fidel Castro, and the head of the Spanish government, José María Aznar, took advantage of the first EU-Latin America & Caribbean Summit in Rio de Janeiro to prepare for the 9th Ibero-American Summit of heads of state and government, due to take place in Havana in November. The two politicians attempted to seek formulas that would guarantee the success of the conference given the uncertainly as to the attendance of Chile and Argentina, annoyed with the Spanish government about the Pinochet affair, and the anti-Castrist Costa Rica, El Salvador and Nicaragua. Fidel Castro praised Mr Aznar for his efforts to ensure that all the Ibero-American leaders attended the summit in Cuba, while for his part the head of the Spanish executive urged Mr Castro to endeavour to overcome these misgivings. For the first time the Cuban president went out of his way to compliment Mr Aznar, whom he described as wise and brave and the most valuable collaborator at the 9th Ibero-American summit. Indeed, the summit would be particularly significant as the venue and head of the future Ibero-American general secretariat were to be decided. The new climate of Hispano-Cuban relations was reflected in the visit to Madrid in mid-September of the new Cuban foreign minister, Felipe Pérez Roque, who brought Fidel Castro's invitation personally and informed José María Aznar about the preparations for the 9th Summit, stating that the Cuban president would give Spain special treatment at Havana.

Unlike the previous Ibero-American summits, the Havana conference was intended to be more substantial in content, with the novel feature, as mentioned previously, of replacing the *Pro Tempore* Secretariats set up at each summit with a Permanent Secretariat for Ibero-American Co-operation. The Declaration of the 9th Summit, officially known as the Havana Declaration, is entitled *"Ibero-America and the international financial situation of a globalised economy"*. In the opinion of the Spanish delegation, most of the Ibero-American countries have now begun to remedy the consequences of the financial crises, though they need to introduce more flexible economic policies. The document clearly condemns the Helms-Burton Act, but, in order to overcome the differences between Spain's and Chile's interpretations of the unilateral and extraterritorial application of national laws, a paragraph was drafted in order to satisfy the interests of all the parties. This paragraph reads: *"Therefore we reiterate once again our energetic rejection of the unilateral and extraterritorial application of laws or national measures that infringe international law as well as the attempt to impose them in third countries on the latter's' own laws and legal systems, since these constitute a violation of the principles that govern international co-existence, weaken multilateralism and are contrary to the spirit of co-operation and friendship that must prevail between our peoples"*.

The declaration acknowledges that economic globalisation provides opportunities for development and well-being in Ibero-America, but warns that these countries are vulnerable to international financial crises, since the smallest and weakest economies and social groups are the first to suffer the consequences. It also urges the signatories to strengthen democracy, political pluralism, the rule of law and respect for human rights and fundamental freedoms, including the right to development. The setting up of the Permanent Ibero-American Secretariat in Madrid was approved. It will be headed by the Mexican diplomat Jorge Alberto Lozoya, and the summits will from now on be held bienially instead of yearly. The next host country will be Panama.

On 15 November, the Sunday before the summit, the president of the Spanish government met five representatives of the Cuban opposition, who presented him with a letter calling for the release of all political prisoners and urging Fidel Castro to respect civil rights and help create a country for all and for the good of all by calling free elections. Mr Aznar's meeting with these opponents to the Castro regime had a huge impact, and was followed by an appeal by King Juan Carlos during his toast at the opening

dinner of the 9th Summit for "full democracy with a total guarantee of freedoms and scrupulous respect for human rights", in order that Ibero-America could face its future with success. At the reception given to the Spanish colony, the king of Spain again stressed that "we are leaving with the certainty that this land and this magnificent people will achieve the future of peace and concord that are within their reach, a future in which Cuba will open up to Cuba".

Spain and Ibero-America

Large-scale Spanish economic investment in Ibero-America continued at a strong pace in 1999. Between 1990 and 1998, total investment amounted to $23bn. According to sources at the *Wall Street Journal*, planned investment for this year in the energy field alone amounts to $19bn, making Spain the biggest investor in Ibero-America after the United States. Indeed, in some cases its investment even surpasses that of the giant neighbour to the north. The *Endesa* company managed to gain control of the Chilean electric-power groups Enersis and Endesa Chile, allowing it to compete in the Ibero-American market for electric power production and distribution, where it is keen to secure a bigger presence. *Repsol*, through a take-over bid, acquired virtually 100% of the capital of the Argentinean company YPF, thus becoming one of the world's largest oil companies (among the top ten). It is currently planning to expand into Brazil and Chile, and subsequently Mexico.

Telefónica has continued to increase its presence and participation in Latin America, and is now present in Argentina, Brazil, Colombia, Chile, El Salvador, Guatemala, Peru, Puerto Rico and Venezuela, and even in the United States. In the banking sector, *BBV*, and *BSCH* have begun three-year plans for the area while continuing their policies of investment. The former has become the largest manager of pension funds in the region, while the latter is expanding its market share from its current 6% to 10%. Several companies, including *Sol Melia*, continue to gain a foothold in the tourism sector, and the same is true of the construction and service sectors. And *SEAT* is currently looking into assembling cars in Buenos Aires.

Nevertheless, all this direct Spanish investment in Ibero-America has not for the moment resulted in an increase in our exports. Indeed, according to Customs, in the first four months of 1999 these countries accounted for a mere 5.5% of total exports. Of course the lion's share of our investments were made by major public utility and financial services com-

panies which are clearing the way for a large number of the smaller companies that usually follow in the wake of the big ones. Furthermore, the devaluation of the major Latin American currencies has made their products cheaper, leading to a 12.4% increase in exports to Spain.

But crises, and not just the Pinochet affair that has Chile and Spain at loggerheads, have begun to affect our investments on the other side of the Atlantic. These million-dollar investments in strategic sectors are coming up against some unexpected resistance from political and economic sectors in countries such as Argentina and Chile, in what appears to be a resurgence of the nationalism that is to a certain extent comparable to the anti-American protests of former times. In a biting article published in the Spanish daily *El Mundo* entitled *"The Conquistadors return dressed in grey flannel suits"*, author James Petras, a professor of political ethics at the University of Binghamton in New York, pointed out that Spanish economic penetration has begun to compete openly with American capitalism in the region. This mirrored the view of an article published in the *Financial Times* entitled *"The return of the Conquistadors. The Spanish invade Latin America in search of corporate treasures"*. The American professor pointed out that economic colonisation at the hands of multinational companies is closely linked to the deep, prolonged economic recession in Ibero-America, thus the recession actually contributes to the growth and prosperity of these companies. Petras adds that these new Conquistadors arrive not dressed in armour with bible and sword in hand, but in grey flannel suits wielding chequebooks.

On the political scene, Spain has continued to strengthen relations with all the Ibero-American countries. In early January, the then Venezuelan president-elect Hugo Chávez visited Madrid, where he held meetings with Mr Aznar and several government ministers and requested economic aid and support for his administration. For his part, José María Aznar began a tour on 5 June with the goal of visiting all the Latin American countries before the end of his current term of office. The first stop on this his eighth trip to Ibero-America was Paraguay. At the Paraguayan Congress in Asunción, the Spanish prime minister conveyed to president González Macchi and representatives of the two country's business communities his support for the process of stabilisation that began in the month of March. After this visit, Mr Aznar travelled to Rio de Janeiro to attend the first EU-Latin America & Caribbean Summit Meeting, where he met all Latin American heads of state in preparation for the 9th Ibero-American Summit.

After his trip to Rio, he continued on to Ecuador to express Spain's support for President Jamil Mahuad's efforts to resolve his foreign debt problem, which was aggravated by the natural disasters caused by the *El Niño* phenomenon. He signed a series of accords, the most important of which was the General Treaty of Amity and Co-operation. In Quito, Mr Aznar acknowledged the contribution of the 30,000 Ecuadorians who work in Spain. The tour continued on to Venezuela, the most delicate stopover of the trip. In Caracas, the Spanish prime minister delivered a message of support for the far-reaching social and political reforms that President Hugo Chávez is attempting to implement. He also requested more effective control over Spanish residents with ties to ETA, especially those half-dozen activists who have problems with the Spanish authorities. Mr Aznar encouraged the Venezuelan opposition parties to defend the rules of democracy. This eighth Ibero-American trip ended in the English-speaking Antilles in an effort to restore links with that part of the world. At the beginning of November José María Aznar played host in Madrid to the Argentinean president-elect Carlos de la Rúa, who guaranteed good relations with Spain. Before journeying to Havana to attend the 9th Ibero-American Summit, Mr Aznar visited Honduras for the first anniversary of hurricane Mitch, where he announced that Spain would forgive Ptas1.6bn of that country's debt and convert the remaining Ptas2.7bn into a co-operation fund.

In the arts, an important event was the Forum of Culture, Arts, and Economy of the Spanish Authors' Society, which is seeking closer ties with Latin America. The event boasted such illustrious participants as Gabriel García Márquez and José Saramago, among others. The latter referred to the "Tribe of Sensitivity" as the family of artists, musicians, dancers, poets, playwrights, and authors—as opposed to political, financial, or Mafioso sensitivity—and defended Ibero-American cultural creativity. The first meeting or seminar of the Ibero-American Defence Colleges took place in the first week of October at the Centre for National Defence Studies in Madrid. This seminar had been postponed last year due to the ravages caused by hurricane Mitch. The 5th International Congress of Aerospace History and Culture, organised by the Air Force's history and culture service was held a week later, from the 11th to the 15th of the same month, and was attended by congressmen from 16 Ibero-American countries. The event included the presentation of the book *Los Pioneros de la Aviación Iberoamericana* ("The Pioneers of Latin American Aviation"). The Congress approved the Madrid Declaration honouring those aviators who, with their efforts, sacrifices and even their lives, contributed to the development and strengthening of the Ibero-American community.

EPILOGUE

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A STRATEGIC OVERVIEW OF 1999-2000

By F. Fernando de Bordejé Morencos

Globalisation

The 3rd WTO Summit held in Seattle in early December ended very much as it had begun: without the minimum agreement needed to launch the Millennium Round. A further lower-level meeting is planned for January to negotiate only agriculture and services—areas in which the Uruguay '93 Round failed—as agreed at the previous Marrakech summit. The differences between the US and the EU over an agricultural model (subsidies versus liberalisation) no doubt contributed to this fiasco, for which the Clinton administration has been blamed exclusively. Indeed, the president's credibility was called into question, since liberalising trade was his greatest priority for bringing his term in office to a successful conclusion. Mr Clinton's refusal to discuss the United States' strict anti-dumping legislation upset Japan and his insistence on linking free trade to workers' rights worried the third world countries, giving the impression that the US is becoming increasingly protectionist. To cap it all, rioters staged violent protests against the 36 regulations, which, if fulfilled, would affect all human activities.

North Africa

Morocco

The 1995 fishing agreement between Morocco and the EU expired in November, forcing some 415 Spanish boats to remain moored, as Rabat refused to renew the treaty. There are, in fact, two reasons for this refusal: after 11 years of foreign presence in Moroccan fishing grounds, Rabat now wants them to itself; and also because it hopes that the EU will eventually give in to its demands to allow Morocco to increase its agricultural exports—to the detriment of Spain's, of course.

Algeria

At the end of December the AIS, the FIS's military arm which announced a ceasefire two years ago, decided to disband as a military movement. However, it seems that not all the members agree with this measure and it is feared than many of them will go to swell the ranks of another terrorist movement, GIA. This decision to disband no doubt stems from the wish to avail themselves of the amnesty provided under the National Concord act, the deadline for which is 13 January.

Sub-Saharan Africa

Côte d'Ivoire

Christmas brought the first coup d'état to what has been the most stable country in Africa since it gained its independence in 1960. The coup was triggered indirectly by the presidential elections due in 2000. Hoping to be re-elected, the deposed president, Mr Bedie, refused to allow a Muslim opponent from the north, Mr Outtara, to take part, as he regarded him as a foreigner who also stood a very good chance of winning.

Democratic Republic of the Congo

The Lusaka agreement, which was aimed at putting an end to the war in the former Zaire, seems to have been used by all the parties as an excuse to rearm. With the country split into two and its economy shattered by years of strife, the DRC is starting to have similarities with Afghanistan, where all the groups are at odds with each other, taking advantage of the country's wealth to make profits and subsidise the operations. This is in actual fact the first major African war that is more international than

civil, since Namibia, Angola, Zambia, Uganda, Congo Brazzaville and Burundi are all implicated to some extent in this conflict that threatens to do away with the former Zaire.

China

After five centuries of Portuguese presence in Macao, sovereignty over this territory was transferred to China. The Chinese troops were received with a mixture of relative euphoria and apathy. Lisbon had authorised this military presence a year earlier, as it was not provided for in the fundamental law of the mini-constitution the two countries had drawn up for Macao.

During President Yeltsin's visit to Beijing in November two issues were negotiated: regulating the long-standing border issue and creating a strategic axis to counter the predomination of the West in a multi-polar world. The first issue was settled by the signing of two protocols delimiting 4,250 km of border and a third for the joint exploitation of the islands of the Amur and Oussuri rivers. As for the second matter, this alliance should be aware of these countries' historical mutual distrust, which will make it difficult to form a true anti-Western axis, as Moscow must realise that such an entente only favours China, an emerging power and, as such, a rival, from which Russia does not receive loans to carry out its reforms.

THE BUILDING OF EUROPE

By Javier Pardo de Santayana y Coloma

The Helsinki summit brought the year to a brilliant close, giving an extraordinary boost to the building of Europe. Its decisions on three issues are particularly noteworthy: enlargement, the defence capability and the creation of a Convention that will draft the European Union Charter of Fundamental Rights.

The decision about enlargement went further than could be expected, applying the concept of a "boat race", according to which negotiations will be opened in February with the seven nations invited to join the European Union (Latvia, Lithuania, Romania, Bulgaria, Slovakia, Malta and Turkey) other than the Balkan states. They will thus all take their places at the start-

ing line, as Spain wished. When they reach the finishing line will depend on the progress each makes towards convergence. This step signifies a future European Union of 28 countries and some 500 million inhabitants: a major power by any standards. The decision also calls urgently and necessarily for institutional reform, due to be approved in December 2000, to provide a feasible framework for an increasingly complex Union. The controversial acceptance of Turkey as a candidate entails Ankara's making certain concessions that may help solve the bitter dispute in which Turkey is engaged with its Greek neighbours. In any event, the opening of accession negotiations with the Turkish government constitutes a genuine success for Europe and for Mr Solana, the EU's new High Representative for the Common Foreign and Security Policy. The same can be said of the decision to create an EU corps with the necessary military might.

Indeed, the summit managed to approve a project that had been circulating for some time—the materialisation of the longed-for defence capability, the need for which became patently obvious in the Balkan conflict, and particularly as a result of the Kosovo "war". It is increasingly clear that a major economic power like Europe must be backed by a suitable defence capability, and in a position to deal by itself with problems that do not require US participation, that is, crises and conflicts that can be resolved by means of "Petersberg-type" missions. The corps will consist of 15 brigades, that is, some 50-60,000 men, and must be capable of deploying within a maximum of 60 days and of remaining for at least a year in the theatre of operations. Spain would contribute some 4,000 soldiers. Needless to say, in order to function this corps requires additional troops to cover replacements and ensure logistic support, as well as other equally necessary types of backing.

The European Union Charter of Fundamental Rights must contribute to creating Europe's "soul" or, at least, as somebody put it, its "ID card": the most particular and deepest-seated characteristics of its personality.

Another decision taken at Helsinki—to call an Intergovernmental Conference—was aimed at completing the work carried out at Amsterdam. It did not take up the Commission's more ambitious recommendations.

The Helsinki participants also unanimously condemned Russia's action in Chechnya, though taking care not to add to the tension. The EU preferred to confine itself to pressuring Moscow, which had reacted by signing an agreement with China on setting up a "united military force", the

future of which does not look very clear in view of Russia's economic dependence on the western powers.

The differences between the European Union and the United States and between the developed and undeveloped or developing countries led to the failure of the WTO summit in Seattle, which was to have launched the "Millennium Round" of talks on liberalising world trade. This result is not deemed to be excessively damaging to our interests. The problems that arose in and outside the summit highlighted the need to tackle the new challenges of a globalised future characterised by complexity.

An extremely pleasing event for Spain was the appointment of a Spaniard as director-general for agriculture. The Spanish government had its sights set on this post, one of the most prestigious and powerful in the Union, as the directorate general administers half of the European executive's budget. This had been one of the issues brought up by President Aznar when he visited Mr Prodi a few days before the decision was taken.

CENTRAL AND EASTERN EUROPE

By Ricardo Álvarez-Maldonado Muelas

Of the events that took place in December 1999, the following are particularly worthy of note:

At the EU Summit held in Helsinki on 10 and 11 December, the Fifteen decided to start accession negotiations with the six second-wave candidates.

The decision to grant Turkey "candidate" status has led to an appreciable improvement in what had been tense relations with the EU. The offer, which is beneficial to Ankara, was accompanied by other concessions that favoured Greece.

The voter turnout for the Russian parliamentary elections on 19 December was 61.6% — higher than expected, given the prevailing scepticism about Russian politicians' electoral promises.

The Communist Party received the most votes, though it secured fewer seats than in the previous elections. The most spectacular result

was that of Yedinstvo (Unity), a pro-Kremlin outfit formed only three months ago and led by Prime Minister Vladimir Putin, though he did not figure on the list of candidates. Unity, as if by magic, has become the country's second strongest political force, more so than the rival coalition Fatherland-All Russia headed by Mr Primakov and the well-known and influential mayor of Moscow Yuri Luzhkov. Unity has not opted for a specific ideology. Its only political message was unconditional support for the campaign in Chechnya.

Yabloko, the liberal reformist party, polled a meagre 5.98% of the vote and lost several seats. This would appear to show that Russia never really took to this ideology.

In this connection, Mr Putin has stated that western-style democracy is not appropriate for Russia and that the state must resume its functions of guiding and regulating. One doubts whether this was a personal conviction or merely an electoral ploy.

According to Russian electoral legislation, 122 seats in the Duma will be filled by independents who do not, in theory, belong to any party. Many have been chosen on the basis of the financial contributions made by major companies in the energy sector or controlled by powerful oligarchs. This would seem to suggest that their votes in the Duma will tend to favour the executive.

In general, it is reckoned that the new House will be more docile than the former one, which leads us to think that liberalising laws could be unblocked if this were Mr Putin's intention.

As usual in Russia, the unexpected occurred. In his end-of-year address, Boris Yeltsin announced he was stepping down after nine years in power. His resignation automatically made Mr Putin the acting president and made it necessary to call a presidential election, to be held within three months' time. 26 March has been set as election date. Mr Yeltsin previously got his successor to enact a decree prohibiting any criminal or administrative enquiries regarding the former president. Some jurists have criticised this provision as being unconstitutional in scope and content.

This decree is expected to remain in force while Mr Putin is in power. Everything seems to indicate that no loose ends have been left and, provided that the Chechen conflict does not take a turn for the worse over the next months, Mr Putin will be elected president in March.

The question arises of whether Mr Putin will maintain the current constitution, which grants so many powers to the presidency, or whether he will set about reforming it.

As for how the Russian army is conducting its operations in Chechnya, the international organisations continue to hold a critical but passive view.

THE MEDITERRANEAN

By Pedro López Aguirrebengoa

As 1999 drew to a close, attention in the Mediterranean was focused on the Middle East Peace Process. The Syrian-Israeli track was finally resumed, the Lebanese track was pending further definition, and the Palestinian-Israeli negotiations both on implementing the interim agreement and on shaping the framework agreement for the permanent-status negotiations progressed, albeit slowly. It remains doubtful, however, whether this agreement will be finalised by the deadline of 15 February 2000 with a view to reaching a full agreement by 15 September the same year.

The process furthermore continues to be conditioned largely by Israel's domestic policy. The first round of substantive Syrian-Israeli talks commenced in Washington on 4 January. Despite the apparent good will, the sides still differ considerably on matters of substance, and the Americans have therefore had to put a lot of effort into their work of highest-level "facilitators" in order to keep the ball rolling. What is more, Israeli opinion seems to be increasingly against returning the whole of the Golan, which will put extra pressure on the endeavour of Mr Barak's government. It should not be forgotten that Mr Barak has reaffirmed his promise to submit the deal that is negotiated for referendum, and that the coalition that supports him is not as strong as could be desired, since some members still harbour doubts about the peace process or act in their most immediate interests, on which they make their support conditional.

With respect to the latter, by making economic concessions valued at some $100m to the religious Shas party, Prime Minister Ehud Barak managed to persuade it not to go ahead with its threat of pulling out of the coalition and got the Knesset to pass the new budget. History thus repeats

itself, with a Shas that has grown stronger since the last elections. The defection of the Shas, with its 17 deputies, would have caused Mr Barak to lose his majority in the coalition. Indeed, this would have made him dependent on the external support of the Arab deputies—who are politically more vulnerable owing to the perennial sensitivity to an electorate whose radical Islamic leanings are cause for concern. In order to try to forge ahead with the peace negotiations and, when the time comes, ensure the agreements reached between the sides are adopted through a referendum, Mr Barak needs a clear "Jewish majority".

On 8 December, while the Secretary of State Mrs Albright was touring the Middle East, President Clinton announced the resumption of the Syrian-Israeli track at an initial meeting in Washington the following week. He pointed out that the negotiations would be resumed from where they were left off in February 1996 (they were begun at Wye Plantation in 1995), ostensibly complying with one of Damascus's key demands. These negotiations were to be high-level, global and aimed at the need to reach an agreement at the earliest possible date. This good news was a positive achievement for US foreign policy, somewhat tattered after the fiasco of the World Trade Organization Conference in Seattle.

The Washington Summit was based on the idea of a global approach to the peace process—addressing all the tracks simultaneously could give rise to a positive interaction between them all—and, in the Syrian track, endeavouring to put the basic issue of Israeli withdrawal to the 4 June 1967 lines on the back burner. The two sides would reach a preliminary agreement in principle allowing for this possibility and establishing "reference points" enabling both sides to resume talks, in order to discuss first the other three aspects: normalisation of relations, security arrangements and the organisational timeframe. If progress were made along these lines, Mr Barak would stand a chance of achieving his objective of having the Israeli army withdraw from the south of Lebanon, thereby fulfilling his electoral commitment. Israel's negotiations with the country would, foreseeably, begin only when Syria and Israel had agreed on a substantial part of the issues on their own agenda.

The meeting ended on a fairly positive note as regards prospects following the agreement to resume negotiations in the US, in Sheperstown (Virginia), on 3 January. There was a certain conviction that a final agreement could be reached in a relatively short time and that, in any event, very substantial progress would be made if both sides were seriously intent on

this happening. If not, there would be a serious risk of confrontation in the region.

Having established a "pact of silence" to enable the negotiations to be conducted without tension and pressure, and on the basis that nothing is agreed until everything is settled, several committees (security, normalisation of bilateral relations, water, and phases for implementing a future agreement) would set to work.

The week for this phase of negotiations—3 to 10 January, though the expert-level talks were to go on for a couple more days—in which President Clinton intervened directly on many occasions, was to serve to break the ice between Mr Barak and Mr Sharaa. The first result was a working document, supplied by President Clinton, aimed at guiding the future stages of the negotiations.

After quite a lot of difficulties and a certain amount of concern that progress in the Syrian-Israeli track would set back negotiations with the Palestinians, the outlook for the latter improved as the new year dawned. On 4 January an agreement was finally reached for Israel's second withdrawal from 5% of the West Bank, starting the following day. The agreement is based on the proposals presented two months previously by the Israeli side, which were then rejected by President Arafat, who considered that the Palestinians' opinion had not been taken into account when establishing the areas of redeployment. The key to the change would have been an understanding over the third redeployment—scheduled for 20 January, according to the Sharm-el-Sheikh Memorandum (6.1% of territory). According to the Palestinians, they would have a say in defining the territory to be transferred and in establishing the resulting maps, though the Israeli side does not acknowledge, publicly at least, having formally agreed to such a commitment.

At the same time Israel decided unilaterally to free 22 Palestinian prisoners as a gesture of good will for Ramadan. The joint committee in charge of the future of the detainees will continue with its work once the period has elapsed. Headway has also been made in unsettled issues from the interim agreements, such as Israel's go-ahead to setting up the industrial areas of Rahah and Jenin, though other matters such as financial issues, the establishment of the northern route of the safe passage and the talks on Hebron have yet to be settled.

Finally, as regards talks on the "framework agreement" for permanent status negotiations, the different committees continue to meet more frequently, though the impression is that we may well have to wait for a high-level meeting before significant progress is made in defining this agreement. The occasion could be President Arafat's planned visit to Washington, for which the Palestinian side has proposed 21 January.

In the last weeks of December, the main factor holding the negotiations back was still Israeli policy on settlements. The Palestinians regarded as positive though insufficient Israel's promises not to invite any more tenders for building work and its willingness to freeze projects on which work has not begun. The Palestinians' other request is that more land be confiscated. In this issue Mr Barak can perhaps afford to be more flexible and has a bigger margin for manoeuvre, since this decision falls to the Israeli military authorities of the territories and to the defence ministry.

The European Union is pleased with the progress made in the Syrian and Palestinian tracks and continues its contacts with the sides and with the United States, in order to supplement their efforts, carry on making a contribution and being politically useful, though without influencing the negotiations. This European support could be put to use in questions pertaining to the multilateral track—the relaunch of which is equally important—and in issues such as water, future economic co-operation, confidence-building measures and security arrangements, all of which are equally connected with the implementation of the future agreements.

With respect to the Mediterranean issues in the framework of the European Union, the Helsinki Council conclusions referred to a formula that is both prudent and satisfactory, endorsing Turkey's candidature. The EU High Representative, Mr Solana, explained the content in Ankara. It was accepted by Turkey though with reservations about the allusions to the problems of the Aegean and Cyprus—such as the allusion to the need to take the problems of the Aegean to the International Court of Justice by 2004 at the latest, and the reference to the fact that Cyprus's accession is not conditional on a negotiated arrangement for dividing the island.

As for the future implications of the Turkish commitment to adopt the "Copenhagen criteria" as a precondition for starting accession negotiations, the overriding feeling is that the most difficult part is only just beginning, as Helsinki placed Turkey on the starting line for what will foreseeably be a long and laborious road to EU accession, as it involves a substantial psychological and institutional change. Turkey can thus start

now to regard the Barcelona process, and other fora with a Mediterranean regional dimension in which the EU or member states take part, from the viewpoint of a southern partner that will become a member of the EU in the tangible future. This change has already become evident in Ankara's greater interest in these spheres.

IBERO-AMERICA

By José Sánchez Méndez

The face of *Argentinean* politics became definitively democratic on 10 December when Peronist president Carlos Menem handed over the power to a radical president, Fernando de la Rúa. This was an unprecedented occurrence in a country that has been witnessing a period of social and political unrest for the past thirty years. Delivering his first address to the Legislative Assembly, with the Prince of Asturias in attendance, Mr de la Rúa promised clarity, honesty and austerity, and pledged to fight corruption implacably. As a demonstration of the president's commitment to solve the country's serious economic recession, five of the eleven members of his government are economists, including the ministers of defence and foreign affairs.

The party headed by *Bolivia's* President Hugo Banzer only managed to place third in the municipal elections held in early December, though it will still be able control most of the provincial capitals in the 2002 general elections as long as the first majorities are respected.

Relations between *Cuba* and the United States suffered a new setback when Washington refused to return Elián González, a small boy who came to Miami in a refugee's boat and whose mother died at sea. The American authorities left it to the courts to decide the boy's future. Nonetheless, for the first time in 40 years, Cubans living in the United States can now fly directly from New York to Havana thanks to President Clinton's decision to increase direct contact between the people of the two countries. The first direct flight took off on 3 December.

Presidential elections were held in *Chile* on 12 December. The outcome made it necessary to hold a second round. This was because the candidates of the two main parties, rightist Joaquín Lavín and socialist

Ricardo Lagos, were virtually tied, with the former taking 47.52% and the latter 47.96%. The outcome did not come as a total surprise because surveys had predicted a second round of voting. The most remarkable thing about these elections was the unexpected rise of the right wing and the virtual disappearance of the smaller parties, including the Communist party, which polled a mere 2.94% of the vote. Mr Lagos and Mr Lavín presented similar economic and social programmes. In the second round on 16 January, Ricardo Lagos captured 51.32% of the vote and Mr Lavín 48.68%. The new president will find a recovery after the recent recession, but the bipolarisation of politics in a country where there have traditionally been three similar forces—left, right, and centre—may not be a good thing.

In *Guatemala*, Alfonso Portillo, candidate for the right-wing Guatemalan Republican Front, beat Oscar Berger, also a right-winger, in the presidential elections on 26 December. Mr Portillo is regarded as the protégé of former dictator Mr Ríos Montt, who is currently president of Congress and secretary general of the new president's party.

An agreement reached between *Honduras* and *Nicaragua* towards the end of December managed to defuse a possible armed conflict between the two countries over the limits of territorial waters. The matter was put in the hands of the International Court of Justice at The Hague. Talks are slated to continue towards mid-January 2000 in order to reach a permanent accord.

In the fifth year of his six-year term, the president of *Mexico* Ernesto Zedillo has improved his political image and is now supported by 67% of his countrymen, according to a survey by the daily *Reforma* published in early December. Among his achievements, those polled pointed to the treaty with the European Union, macroeconomic figures, and record oil exports with high prices. On the minus side, there are the seemingly unsolvable problems in Chiapas, where paramilitary groups remain active due to the lack of concrete progress towards a solution of the conflict, as well as the fact that the terms of the San Andrés Larráinzar agreements were never implemented.

The most notable historic event in Ibero-America during 1999, as stated at the beginning of this chapter, was the return of the Panama Canal to Panamanian sovereignty on 31 December. The official ceremony marking the Canal's transfer was held on December and attended by the king of Spain and a number of Ibero-American heads of state. American representation was decidedly low-key, with President Clinton, Vice-president

Gore and Madeleine Albright particularly conspicuous by their absence. According to the American media, this was because it was thought that the matter would not favour the Democratic candidate in the upcoming presidential elections.

As mentioned regarding *continuism*, it was President Alberto Fujimori's intention to stand as a candidate in *Peru's* presidential elections for the 2000-2005 term. This decision was confirmed by the president on December 28, but the Peruvian opposition has contested the constitutionality of this move with the National Elections Board.

Finally, in *Venezuela*, the new constitution was approved in a referendum held on 15 December, giving President Hugo Chávez a six-year presidential term with another six years after re-election. The Humanist-inspired constitution permits double nationality for certain countries, Spain among them, abolishes the Senate, and reserves three seats for representatives of the indigenous peoples in the National Assembly. Since December 29th the official name of the country is the *Bolivarian Republic of Venezuela*. Nevertheless, Venezuelans spent the saddest and toughest Christmas of their history because of the heavy floods that killed thousands of people and caused untold material damages. It is estimated that some 30,000 people lost their lives in the disaster, with perhaps as many as 50,000 more missing. This was the worse disaster in the whole world during 1999. We wish Venezuela the courage and strength to overcome this tragedy.

COMPOSITION OF THE WORKING GROUP

Co-ordinator: D. JAVIER PARDO DE SANTAYANA Y COLOMA
Army Lieutenant General (Rve)

Secretary: D. FERNANDO DE LA GUARDIA SALVETTI
Captain (Rve)

Members. D. RICARDO ÁLVAREZ-MALDONADO MUELA
Vice Admiral (Rve)

D. FEDERICO FERNANDO DE BORDEJÉ 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 from de Centro de Documentación of the Ministry of Defence.